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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2233



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DEVELOPMENTS IN CEMA PHARMACEUTICAL INDUSTRY REPORTED

East Berlin AW DDR-AUSSENWIRTSCHAFT in German Vol 9 No 49, 2 Dec 81 p 12

[Report by Information and Public Relations Department, GDR Ministry for Foreign Trade: "From the Pharmaceutical Industry of Socialist Countries"]

[Text] Cooperation Among CEMA Countries

Representatives of the CEMA member countries and the Socialist Federal Republic of Yugoslavia signed a protocol on the renewal of the agreement reached in 1978 on the multilateral international specialization and cooperation in the production of pharmaceuticals. This protocol broadens the list of drugs from 25 to 82 which come under the preview of specialization and is the result of studies carried out since 1979 by the section for pharmaceuticals within the framework of the permanent CEMA Chemical Industry Commission. In addition a list of the most important drugs and a table of estimated requirements for these drugs up to 1990 was compiled. It was established that for 87 of the items on the list requirements could be met by domestic production and partially in 4 cases.

The section is conducting further studies with a view to adjusting production facilities to existing and foreseeable requirements. A special effort is being made to start production in the member countries of those drugs which have been imported in large quantities up to now such as corticoids, caffeine, vitamin D8, sulfamethoxazol, guanadine, nicotinic acid, salicylic acid and vitamin C.

The volume of foreign trade in pharmaceutical products from 1975 to 1979 grew an average of 15 percent per year in the CEMA countries. In the same period exports of the People's Republic of Bulgaria rose by 18.7 percent, the People's Republic of Poland by 12.9 percent and the USSR by 4.8 percent. The largest exporter was, however, still the Hungarian People's Republic. In the People's Republic of Poland pharmaceutical exports were exceeded by imports which grew much more rapidly. The largest importer of drugs among the CEMA countries is the USSR which imports primarily from the other member countries, its purchases of pharmaceuticals from the industrialized capitalist countries are very slight.

With the exception of the USSR and the Socialist Republic of Romania, exports of pharmaceutical products exceeds imports in the CEMA countries. In the Hungarian People's Republic, for example, exports exceed imports by more than 70 percent. A program of the Hungarian People's Republic provides for the development of

production of drugs and pesticides by two and a half times from 1980 to 1990. The Hungarian People's Republic, the CSSR and the People's Republic of Bulgaria have an excess of exports of pharmaceutical products with the industrialized capitalist countries.

Efforts and plans of the Czechoslovak pharmaceutical industry are directed toward the traditional production of alkaloids and sulfonamides, but also toward introducing production of new substances, synthetic drugs and half-synthetic antibiotics. Production of half-synthetic penicillin and of cephalosporium as well as of new veterinary preparations is also being started in the People's Republic of Bulgaria. The latter is the leading producer of antibiotics in Europe. From 1980 to 1985 production of antibiotics will double while pharmaceutical production will increase by 80 percent. In the People's Republic of Bulgaria special emphasis is placed on the production of phytochemical substances and preparations.

Trends in the Pharmaceutical Industry of the People's Republic of Bulgaria

Within the CEMA countries the Bulgarian pharmaceutical industry is specialized in the production of 35 different products. Conversely 150 pharmaceutical products are imported from the CEMA which constitutes 50 percent by value of the pharmaceutical imports of Bulgaria.

The pharmaceutical factories which are members of the industrial combine PHARMACHIM have recently been increasing their efforts toward cooperation with firms in the non-socialist economic sector. Such cooperation has already been relatively far advanced for the past several years with Switzerland, France and Great Britain, from which Bulgaria imports mainly chemicals for the production of drugs. Conversations were held recently with foreign experts on the possibilities for cooperation in the production of aromatic scents, perfumes and cosmetics as well as on the expansion of vitamin C production. PHARMACHIM has worked out a program according to which Franco-Bulgarian enterprises are to be established in which production will be carried out under French licenses and know-how.

Furthermore the People's Republic of Bulgaria intends above all to increase its support for the construction of pharmaceutical factories in the developing countries. For example, the possibilities of cooperation in the production of antibiotics with Brazilian and Mexican firms are being examined. In addition negotiations are being conducted with Libya, Mozambique and Nigeria on common projects for the production of pharmaceutical preparations for which Bulgaria will deliver the active ingredients.

Supply Problems with Raw Materials in the Socialist Federal Republic of Yugoslavia

The Yugoslav pharmaceutical industry has had difficulties in obtaining supplies of raw materials for a long time; about 80 percent of their needs in pharmaceutical raw materials must be imported. During the period of the 1976-1980 Five-Year Plan drug production increased by an average of 10 percent (by 20 percent from 1971-1975). In 1980 the 16 pharmaceutical manufacturers produced medicaments for human medicine worth a total of 10.61 billion dinars. Ninety-three percent of demand for medicaments is currently being covered by domestic production.

Imbalance between manufacturing and processing is characteristic of the Yugoslav pharmaceutical industry--processing capacity is very much larger. During the expired 1976-1980 Five-Year Plan only five pharmaceutical manufacturers undertook investments totaling 2.47 billion dinars--27 percent went to Pliva/Zagreb, 22 percent to Lek/Ljubljana, 18 percent to Krka/Novo Mesto, 17 percent to Galenika/Belgrad, and 9 percent to Belupo. During the same period 3.03 billion dinars were invested in processing plants.

The high export of pharmaceutical raw materials is cited as a further cause of an inadequate supply of raw materials. In the last 5 years exports rose by an average of 18.3 percent. As a result domestic supply bottlenecks increased. During the same period imports of raw materials by Yugoslav pharmaceutical manufacturers grew by an average of 10.9 percent a year.

Change in the Structure of Production

Structural changes have occurred in recent years which are primarily shown by a rise in the production of antibiotics--an average of 19 percent per year. At the present time these constitute a total of 30.8 percent of the production of medications. During the period of the 1976-1980 Five-Year Plan the proportion of production devoted to psychopharmacological drugs rose to 9 percent (8.7 percent in 1976), antirheumatics to 6 percent (5.8 percent in 1976) and all other drugs to 37.7 percent (37 percent in 1976). Conversely the proportion of production devoted to chemotherapeutic drugs sank to 4.6 percent (5.7 percent in 1976), cardiovascular therapeutic drugs to 9 percent (9.7 percent in 1976), analgesics to 3 percent (3.4 percent in 1976), and vitamin C to 9.6 percent (17.2 percent in 1976).

The last fact stands in contrast to current development in foreign markets where the production of vitamin C on a world-wide basis is being expanded. A change in this structure of production will probably only come about as a result of the planned construction of additional capacity for the carrying out of organic syntheses at the Lek enterprise as well as through the planned expansion of vitamin C production at the Pliva enterprise. The new production facilities at Lek require investments totaling 1.25 billion dinars and are expected to begin production in 1984. At a cost 2.5 billion dinars Pliva intends to expand production of vitamin C from the current rate of 3000 tons a year to 5000 tons a year.

Pharmaceutical Purchases by the USSR

The state enterprise MEDEXPORT of the USSR and the pharmaceutical enterprise Orion Oy of Finland have signed a contract for the delivery of antibiotics for hospital use in the range of more than 60 million Finnish marks. This is the largest order which MEDEXPORT has so far given to a Finnish pharmaceutical producer. The contract runs to 1983. The preparations will be exported by Orion Oy to the USSR as a freeze-dried mass. Orion Oy expects a further improvement in export possibilities following the construction of a freeze-drying system in the drug factory, Mankkaa, for which more than 10 million Finnish marks have been invested. Since 1975 the enterprise has already been delivering heart and circulation medicaments to the USSR. It expects that after the expiration of the contract in 1983 the delivery of antibiotics agreed upon can be continued.

Expanded Foreign Trade in Pharmaceuticals by the Hungarian People's Republic

According to information furnished by the responsible foreign trade enterprise MEDIMPEX, exports of pharmaceutical products to other socialist countries reached a value of about 200 million rubles in 1980 (80 million in 1970). Corresponding exports to industrialized capitalist countries in the same period increased more than four times to \$127 million (\$29 million in 1970). Similar exports to developing countries increased six times to about \$40 million from 1970 to 1980. Among the CEMA countries, the Hungarian People's Republic has specialized in pharmaceuticals for many years. Its per capita production of medicaments is exceeded only by Switzerland. The Hungarian People's Republic thereby meets about 90 percent of its own needs. Its share of world exports of pharmaceuticals is 4 to 5 percent. Outside the socialist countries the main markets are the FRG, Italy, Great Britain, United States, Mexico, Japan, India, Nigeria, the Democratic and Popular Republic of Algeria and Iraq.

The Hungarian pharmaceutical industry which consists of five firms has been cooperating closely for a long time with producers from other CEMA countries. However, it also cultivates ties with firms in industrialized capitalist countries on the basis of licenses and partnerships. Joint ventures are being carried out especially in Belgium, Switzerland, the FRG, the United States, Japan, Argentina and Mexico. During the current year the Hungarian model state farm Babolna (BCR), the pharmaceutical-chemical factory Chinoin, and the pharmaceutical works in Koebanya have concluded an agreement with the American pharmaceutical concern, Eli Lilly & Co. for the establishment of a joint company in the Hungarian People's Republic. This company is to produce veterinary medicines developed by the American concern in technologically up-to-date production facilities in the Hungarian People's Republic and sell them there.

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TRADE RELATIONS WITH SUB-SAHARAN COUNTRIES EXAMINED

Sofia MEZHDUNARODNI OTNOSHENIYA in Bulgarian No 5, 1981 pp 75-83

[Article by Filip Serafimov: "Bulgarian Economic Cooperation with the Countries of Tropical Africa"]

[Text] Socialist Bulgaria is a serious and dependable economic partner in the modern world. In relying on the experience and aid of the USSR and on cooperation with the nations of the socialist commonwealth and in utilizing its internal resources, our nation, as a member of CEMA, has carried out enormous development for its size during the last three and a half decades since the people's [communist] victory on 9 September 1944.

"Every Bulgarian," said Comrade T. Zhivkov at the 12th Party Congress, "cannot help but feel legitimate pride in the fact that our nation, which in territory stands in 101st place in the world in terms of territory and in 61st place for population, holds at present 1st place in the per capita production of battery-operated and internal combustion engine plant trucks, soda ash, cigarettes and tobacco and holds one of the 1st places in terms of the production of electronic products. In the Balkans Bulgaria stands in 1st place in terms of the per capita production of electric power, iron ore, coke, brown and lignite coal, artificial and synthetic textile fibers, wheat, sunflower seed, sugar and many others."¹

All of this naturally strengthens the international prestige of our motherland and reinforces its positions on the international market.

For example, in the machine building area, Bulgaria has become an equal partner of the most advanced nations. Around 50 percent of the foreign exchange earnings of our nation is now realized from the exporting of machine building products.

Industrial products already comprise 96 percent of the total volume of our exports while the share of machinery and equipment in them has reached 47.7 percent.²

There has been an ongoing increase in the relative share of the exports of industrial goods of nonagricultural origin, from 61.3 percent in 1975 to 69.7 percent in 1979.³

From 1978 onwards, our balance of payments and balance of trade have shown a positive balance. This was emphasized both at the July (1980) Plenum of the BCP Central

Committee as well as at the 12th Party Congress. For example, in 1979, with a commodity turnover of 15 billion exchange leva, the positive balance was nearly 500 million exchange leva.⁵

We must also emphasize that the stronger and ever-growing foreign economic positions of such a nation as ours which is so closely tied to the foreign market are of exceptionally great significance for our integrated socioeconomic development.

"The BCP," proclaims the Party Program, "is led by a realization that the harmonious and proportional development of our economy and the optimizing of the production of the economic units can be achieved not by the path of self-sufficiency but rather through the extensive participation in the international division of labor, particularly as part of the world socialist commonwealth."⁵ This fundamental foreign economic tenet was emphasized with new strength and clarity at the 12th Party Congress. The congress reaffirmed that we view our involvement in the international division of labor as an exceptionally important and powerful factor for carrying out an across-the-board intensification of the national economy.

The significance which the party and government give to the nation's foreign economic ties and the consistent efforts which have been taken to further these can be seen most clearly in the successes of our foreign trade.

"Regardless of the presence of a number of unfavorable, restraining factors, our trade turnover, as a traditional form of international cooperation, continues to grow at accelerated and stable rates," pointed out the Minister of Foreign Trade, Khristo Khristov. "From 9.8 billion exchange leva in 1975, at the end of the current 5-year period, 1980, this exceeded the large amount for our size of 17 billion exchange leva. As a permanent trend in this process, we must point first of all to the more rapid rates at which trade has developed in comparison with general economic growth as taken in their physical volumes. While national income has risen at an average annual rate of 7 percent, total industrial product has increased at 6 percent and agricultural product at 1 percent, the nation's trade has increased at a rate of 8.2 percent. In subsequent years this trend will be maintained and strengthened."⁶ As can be seen, the increase rate of foreign trade is around 1.5-fold higher than the increase rate of national income and while in 1970, the ratio of the value volume of foreign trade to national income was 42.6 percent, in 1980 this was already 88 percent.

Economic collaboration with the developing nations has assumed ever-increasing significance in our nation's foreign economic relations. This has been brought about not only and not so much by the nation's foreign needs as by its international position vis-a-vis these countries and by profound feelings of solidarity and sympathy which characterize our attitude toward them.

"In full accord with our policy of cooperation and understanding we will continue to develop our economic relations with the capitalist and developing states on the basis of equality and mutual advantage."⁷

Understandably neither is there such an opportunity nor the necessity for a nation such as ours to maintain equal and all-round trade and economic ties with all the developing nations. Also the number of them is in no way small. There are over 70

of them with which we maintain such ties. Here the growth rate of cooperation with them is significant.

While in 1961, our trade with these nations amounted to scarcely 40 million exchange leva, in 1970, it climbed to 253 million to exceed at present 1 billion exchange leva. During the 1970-1977 period, Bulgarian foreign trade doubled while the share of the developing nations in Bulgarian foreign trade rose from 2 percent to reach 7.5 percent of its volume. In the 1965-1977 period, Bulgarian trade with the developing countries rose by around 9-fold (with a growth of the total volume of our foreign trade of 4.8-fold over the same period).⁹

According to UN data, Bulgaria holds one of the leading places in the world in terms of the development rate of trade ties with the nations of Asia, Africa and Latin America.

Subsaharan Africa as an Object of Our Foreign Economic Activities

The very geographic position of Bulgaria as a bridge between East and West even in the distant past put it in touch and in mutual relations with the countries of the Mediterranean Basin as well as with the other peoples of the African and Asian continents.

At present African nations are assuming ever-greater significance in our foreign economic ties. In 1960, Guinea was our sole partner in Africa. At present Bulgaria has economic and trade ties with 30 of the 40 independent states in Subsaharan Africa. With 15 of them, agreements have been signed on economic and scientific-technical cooperation, and with 10 of them (Angola, Mozambique, Tanzania, Nigeria, Zambia, Benin, Ghana, Guinea, the People's Republic of the Congo and Ethiopia), intergovernmental commissions have been set up for economic and scientific-technical cooperation. The treaties of friendship and cooperation with Angola and Mozambique were the first treaties of such a nature which Bulgaria concluded with African countries.

At present our nation's efforts to strengthen economic relations with the Subsaharan African countries are focused primarily on Angola, Nigeria, Mozambique, Ethiopia, Tanzania and Zambia. This also explains the visit of Comrade Todor Zhivkov to Nigeria, Angola, Mozambique and Ethiopia in 1978 and that of the then Chairman of the Council of Ministers, Stanko Todorov to Tanzania and Zambia in 1977. Also contributing to this were the official visits to Bulgaria by the heads of state of Tanzania, Mozambique, Ethiopia and Zambia in the last 2 years.

These are some of the basic states in this area and they comprise one-third of the territory and almost one-half of the population (130 million). Their aggregate social product is one-third of the region's (46 billion dollars in 1975).

These are nations with enormous underground riches. A larger share of the gold, diamonds, molybdenum, cobalt and other rare metals come from here. This area produces nearly one-half of the world's copper production. There are amazing reserves of iron ore, bauxites, phosphates, oil and so forth. This part of Africa produces 60 percent of the world production of cacao, 50 percent of the sisal produced in the world, nearly one-quarter of the world coffee output, a larger portion of the

cashew nuts as well as large amounts of valuable tropical wood, tea, cloves and so forth.¹⁰ One other thing. This is Subsaharan or Tropical Africa. This means climatic and floral zones which are symmetrically positioned to the north and south of the equator with high temperatures and humidity. This causes rapid and extremely diverse vegetation as well as a continuous growing season year-round. In adding the thick and fertile soils which are predominantly unworked, plus the presence of a significant manpower reserve, it is easy to imagine what conditions these countries offer for highly efficient agricultural production and in which both they and we are equally interested.

Regardless of the differences in their political orientation there is a clearly expressed readiness for cooperating with our nation.

This is dictated primarily by their domestic economic and social problems which objectively force them to seek the aid and cooperation of the socialist countries as well.

The socioeconomic difficulties of these countries, like all the developing countries, are more than complicated. We might merely mention the fact that in 1980, their agricultural production which is the basis of their economy, in being recalculated on a per capita basis, reached its lowest level over the last 8 years. And what little general increase in production there has been was virtually eliminated by demographic growth.

In 1979, grain production here dropped by 3.5 percent and the index for the production of food products on a per capita basis over 5 years (1974-1979) annually declined by 1.4 percent.¹¹

For their governments, regardless of the political line followed by them, it is perfectly clear that these acute domestic problems cannot be successfully resolved in relying just on the former colonial powers and generally only on the capitalist world. For a number of reasons these countries cannot eliminate this fact completely but they are compelled to endeavor to overcome a number of negative trends for them which have been brought about by this.

In Africa, as nowhere else, there is an acute disparity between the increased role of the liberated nations on the international scene and their unequal position in the world capitalist economy.¹²

According to official data, the foreign debts of the 45 African states by 1976 reached 32 billion dollars.¹³

The Secretary General of the Organization of African Unity, Edem Kodja, in an interview with the economic bulletin EUROPE pointed out that in 1980, the deficit in the balance of payments in the African states exceeded 44 billion dollars.¹⁴

The unfavorable nature of international economic relations for these nations deepens and does not reduce the difference between them and the former colonial powers¹⁵ (Tables 1, 2 and 3).

Table 1

Gross National Product in 1976 (in 1970 prices; at official exchange rate)

Nations	Total Value (million dollars)	Per Capita (dollars)
Developed capitalist countries	2,542,000	3,420
United States	1,164,000	2,410
England	136,925	5,450
Portugal	8,020	825
Developing countries	531,770	275
Subsaharan Africa (without South Africa)	48,020	160

Source: MEIMO, No 5, 1979.

Table 2

Average Annual Growth Rate of GNP (%) 1950-1977

Nations	Total Value	Per Capita
Developed capitalist countries	4.1	3.0
United States	3.6	2.2
Western Europe	4.2	3.4
Developing countries	5.1	2.6
Africa	4.0	1.5

Source: MEIMO, No 1, 1979.

Table 3

Relative Share of Various Groups of States (in %) in Foreign Trade
of Developing Countries (=100), 1950-1977

Groups of States	Total Trade		Exports to		Imports from	
	1950	1977	1950	1977	1950	1977
Developed capitalist states	77.3	70.0	75.9	70.3	78.3	68.4
Socialist states	4.7	6.6	5.5	7.0	4.0	6.3
Developing nations	18.0	23.4	18.6	22.7	17.7	25.3

Source: E. Malkhasyan, "Neokolonializm. Ikonomicheski deystviya i politicheski tseli" [Neocolonialism. Economic Actions and Political Goals], Sofia, Partizdat, 1979, p 37.

In recent years, the African countries have experienced significant difficulties in exporting foodstuffs which comprise a predominant share in their foreign trade turnover. The reason is rooted in the fact that under the influence of the scientific and technical revolution and under the effect of the raw materials crisis, the developed nations have significantly increased the production volume of agricultural products and have achieved significant self-sufficiency in these products. Moreover, in developing trade between themselves (particularly within the Common Market) and in curtailing imports from the developing countries, the imperialist states themselves are increasing the exports of food to those countries and at increased prices.¹⁶ Obviously this is a double blow to the African countries. On the one hand, they are encountering serious difficulties in finding a market for their traditional export products. On the other, the imports of certain types of foodstuffs (wheat, flour, powdered milk, oils, canned goods and so forth) compete with and undermine the local production of such products. In this manner the agriculture of these agrarian countries is undermined and the degree of their dependence upon the foreign market not only does not decline but, on the contrary, is increased. The designated unfavorable result for the African countries has been intensified by the increase in the prices for petroleum, machinery, equipment, fertilizers, chemicals and so forth which are the monopoly of the developed nations. Recently the Soviet press announced that 20 years ago, for 25 tons of natural rubber it would have been possible to buy six tractors, but at present for the same quantity of rubber only two tractors could be purchased.¹⁷

To all of this we must also add the growing protectionism of the developed capitalist states. This maintains and deepens the inequality and discrimination in their foreign trade ties, the spontaneous fluctuations in the world capitalist market, the instability of raw material prices and so forth. For all of this it is clear why the young African states are looking evermore keenly at us.

In our nation which has made a tremendous leap toward the heights of modern technical and economic development since World War II, they see a particularly vivid example for their own development and are moving toward it.

Also of importance is the prestige which our nation has succeeded in establishing in the process of its previous economic and scientific-technical activities in this region.

"We will continue in the future to work with satisfaction with your nation," stated the Nigerian President, Shehu Shagari, recently.¹⁸

It is also important to note that the established traditionalness in our relations with many of these countries dates back to the time of their struggle for national liberation. After they had won independence, they readily and confidently developed international relations with our nation. A natural factor in the rapprochement of our nation with the independent African states has been the commonness of views on a number of important international problems such as the complete elimination of the vestiges of colonialism, the elimination of racism and apartheid, the opposing of neocolonialism, inequality and discrimination imposed by the imperialist forces and so forth. This point is particularly reinforced by the fact that three of the nations (Angola, Mozambique and Ethiopia) have proclaimed their socialist orientation while two (Tanzania and Zambia) are following a noncapitalist path of development.

The conclusion is that both the international as well as the specific socioeconomic conditions favor a permanent and fruitful economic presence of our socialist motherland below the Sahara and our attention quite correctly, validly and far-sightedly is focused here.

But if we wish to turn this favorable opportunity as much as possible into a reality, we are obliged to also consider certain unfavorable factors and both as a state and as an economic partner to draw all the necessary conclusions from them.

First of all, we must consider the diverse and still strong ties which link the economy of the young newly liberated states with the capitalist economy of the former colonial powers (Tables 4 and 5).

Table 4

Private Direct Capital Investments by Capitalist States in African Nations
(annual average, in million dollars)

Economic Sectors	Classification	1965-1966	1967-1968	1969-1970	1971-1972
Extraction and processing of oil and gas	I	328	352	487	379
Manufacturing industry	II	89	80	95	164
Other sectors	III	84	65	99	152
Mining industry	IV	85	85	58	73
Total		586	582	739	768

Source: OECD "Development of Cooperation Efforts and Policies, 1973, Review," Paris, 1973, p 149.

Taken from: "SSSR i strany Afriki" [The USSR and African Countries], Moscow, Mysl', 1977, p 165.

Around 40 percent of the Angolan oil is purchased by the United States, around 30 percent by Canada, almost 15 percent by Japan and a smaller portion by Portugal, the FRG, Spain and others.

The United States purchases over 50 percent of the Angolan coffee exports. Large amounts of coffee are exported also to Portugal, Spain, the Netherlands and elsewhere.

Portugal is the basic purchaser of Angolan bananas and corn.

Angolan fish meal is exported predominantly to the FRG, Japan and Portugal, tobacco goes to England, Japan and Portugal, cotton exclusively to Portugal; sisal is exported to Portugal, Belgium, Spain, Italy, the FRG and elsewhere.

Around 60 percent of the lumber is exported to Portugal, 10 percent to Spain, 5-6 percent to France and so forth.

Table 5

Financial Involvement of Developed Capitalist Nations in Tanzanian Economy
During the Third Five-Year Plan (1976-1981)
(in million shillings)

Creditor	Grants	Investments		
		Industry	Agriculture	Construction, Transportation, Communications
EEC	--	300	176	415
FRG	--	130	--	83
Sweden	2,000	774	164	--
Denmark	176	--	145	--
Netherlands	380	--	68	--
Norway	--	--	73	--
World Bank	--	328	747	912
Total	4,200	4,708	3,231	3,861

Source: "Tanzania--A Five-Year Development Plan, 1976-1981,"
Dar es Salam, 1977.

Angola imports machinery and equipment predominantly from Portugal, England, the FRG, Italy, France, the United States and Japan. Angola imports ferrous metals and metal products from Japan, Belgium, Portugal and elsewhere. Textile products are imported predominantly from Portugal and Japan.

Relations between Angola and Portugal which were frozen for a certain time directly after the declaring of independence have now been normalized and are moving forward.

Mozambique, like Angola, maintains active trade ties with the developed capitalist countries. Mozambique cashews, cotton and sisal are exported to almost all of them, sugar goes to Portugal, tea to England, the United States and the Netherlands, vegetable oils to Portugal, the United States and England, and copra to Spain, Portugal, England and France.

In addition to the designated nations, Japan and South Africa hold a significant place on the Mozambique import list. Means of transport are imported chiefly from Japan, England, France, the FRG and the United States, metal products from South Africa and Japan, industrial consumer goods from Portugal and Japan and chemical products from South Africa, the FRG and Portugal.

The substantial changes in the world economy and in the balance of forces on the world scene as well as the strengthening of the economic and political positions of the developing countries have forced the imperialist powers to resort to a policy of concessions and maneuvering.

Imperialism sees its main task as present in clearing a path for the development of capitalist production relationships which in turn contribute to the formation and strengthening of a national bourgeoisie in the developing nations. In accord with this, the policy characteristic of the previous period of restraining economic growth in the then colonies has been replaced by a policy of certain development of their productive forces on a basis of the capitalist method of production. By bourgeois reformism the imperialist circles are endeavoring to avoid new social troubles in the developing world. Without adapting to the changed situation, the former colonial powers would find it difficult to maintain their "special" rights in the developing world. On the other hand, the exacerbation of imperialist rivalry has opened up for the liberated nations a broader choice of variations for development and orientation, it makes their positions vis-a-vis the industrial West stronger and more independent and gives them freedom of action in defending their interests. Clearly the former colonial powers do not wish to admit such a possibility and are making every effort to defend their trade and economic interests.

Let us give two examples.

The member states of the Northern Council (Sweden, Norway and Denmark) in 1978-1980 financed 26 projects in Mozambique in the area of agriculture, forestry and fisheries amounting to 50 million dollars.

In 1977, England announced its intention to aid Tanzania with 28 million pounds sterling.¹⁹ What we are seeing is an energetic jockeying for position in order to improve or recover their positions under the new conditions of the liberated continent.

England, weakened and compromised in its traditional zone of influence, has endeavored to compensate for this at the expense of the even more weakened and shunted-aside France, while the FRG has endeavored to recover its long lost African influence in penetrating into the former possessions of both England and France. The economic expansion of Japan is also gaining momentum. With its inherent energy and expansionism, American capital is driving out everyone wherever it can.

At the end of 1975, direct U.S. investments in oil production in the African nations was 54.5 percent of their total volume, in the mining industry they were 20.3 percent and in manufacturing just 9.6 percent. The United States receives from Africa 72 percent of the consumer cobalt, 51 percent of the manganese, 43 percent of the antimony and 14 percent of the copper. Almost 100 percent of the diamonds imported by the United States come from Africa as well as more than 50 percent of the imports of cacao, mahogany, gold, rubber, graphite and so forth.²⁰

In endeavoring to realize its plans, the United States has broadened governmental aid to Africa. While at the beginning of the 1970's this was 6-8 percent per annum, in 1977-1978 it was already 10-11 percent and in 1979 reached 19 percent, surpassing for the first time the share of Latin America.

Over the 1966-1975 period, American investments in the continent have risen from 1.8 billion dollars to 4 billion.

The profit rate from the U.S. capital investments in Africa as a rule has been higher than in other regions of the world, running around 2-fold more than the average world rate. In 1974 this was 34 percent.²¹

A characteristic feature of modern neocolonialism has been the strengthening of its collective nature. For this reason the place and role of the European Economic Community [EEC] in this area have been of great importance.

As is known, the penetration and influence of the EEC here have been carried out under the form of so-called association.

The political leaders and economists in the West have endeavored to foster the term "Eurafrica," understanding this as a political and economic association of Western Europe and Africa which would play the role of a certain "fourth force" in the world.

It is no accident that Africa holds a leading place in the system of EEC integration measures.

In the first place, in Africa are most of the former colonies in which, as we have already pointed out, the political and economic positions of certain EEC members remain rather strong even after the collapse of their colonial empires.

The total amount of foreign capital investments in the continent amounts to 25 billion dollars and around four-fifths of this total is Western European investments. Western Europe receives from here 90 percent of the diamonds, 80 percent of the cobalt and gold, 60 percent of the platinum, 35 percent of the phosphates, 30 percent of the copper and so forth.

To what degree the EEC countries are dependent upon the delivery of African raw materials can be seen from the example of France which imports from Africa 55 percent of the consumed nonferrous metals, 25 percent of the iron ore, 99 percent of the uranium and 30 percent of the copper.

Secondly, this gigantic treasurehouse of natural riches is located close to Western Europe and is closer than all the other raw material sources in the developing world.

Thirdly, the West has a sociopolitical interest in the newly formed African states. In addition to the direct economic benefit, the EEC countries are also pursuing the strategic goal of implanting and maintaining capitalist orders in these countries.

The agreement of the African nations to associate with the EEC also has understandable reasons.

All of them were left a difficult heritage from colonialism. Their budgets cannot be balanced without outside aid, including subsidies from the former colonial powers. The economic backwardness, the high relative share of the former colonial powers in their foreign trade and their strong dependence upon the influx of foreign capital have forced them to seek out preferential markets and sources of external aid.

The system of preferential trade relations with the Common Market has provided an opportunity for the African states to obtain certain advantages.

For example, under the Lome Convention, 84 percent of the agricultural exports from the associated nations are permitted to enter the EEC countries tariff-free. For the remaining 16 percent, tariff conditions have been established which are more favorable than for the other nonassociated states.

Certainly these advantages also have a negative aspect.

The trade preferences, while easing the access of African goods to the EEC markets, reaffirm and deepen the colonial monocrop structure of their exports, that is, perpetuate the agrarian and raw material nature of their economy. Indicatively, in 1977, as in 1957, 90 percent of the exports from the countries associated with the EEC were made up of just eight commodities: Copper, iron ore, cacao, vegetable oils, bananas, wood, coffee and peanuts. Just 4 percent of the exports were manufactured goods.

The system of trade relations with the EEC in no way eliminates one of the main problems of the African nations, the problem of the deterioration of trade conditions. The associated nations suffer enormous losses from the growing difference between the prices for finished industrial goods which are about 40 percent of their imports from the EEC and the prices for agricultural products which comprise 43 percent of their exports to the EEC countries.

The given data leave no doubt that the neocolonialist pressure on the African countries is applied along a broad front and in many areas.

Basic Principles and Directions of Bulgarian Economic Cooperation with the Sub-Saharan Countries

The economic relations of our state with these countries, like with all the developing countries, are based on principles stemming from its socialist essence.

In the first place, the leading principle among them is full equality. In its relations with its partners, Bulgaria adheres to strict consideration of their sovereignty and noninterference into their internal affairs, it repudiates any discriminatory measures for political and ideological reasons and does not endeavor to achieve one-sided advantages for itself.

Derived from the first is another very important principle, that is, the principle of mutual advantage. Our socialist state endeavors to have both sides benefit from foreign economic relations. This means that in addition to its own interests, Bulgaria considers also the interests of its partners.

In recent years, in Bulgaria's economic relations with the young independent states, there has been a tendency to complement the traditional, predominantly trade ties with more modern (and more advantageous) forms of cooperation. We have in mind the exporting of complete installations, production cooperation, joint enterprises, engineering consulting activities and so forth. These are forms and areas which not only contribute to the achieving of the bilateral interests of the partners but also aid in greater planning and stability of the relationships and give them durability

and completeness. Also noteworthy is the flexible use of bilateral and multilateral forms of cooperation which our nation utilizes within CEMA.

All of these modern and effective forms are variously applied in our economic relations with the Subsaharan African nations.

As an example of successful cooperation, one might point to the joint companies in Nigeria of Globefish and Afrocommerce. In 1980, Balkankarimpex [Balkan Plant Truck Import-Export Association] concluded an agreement with a Nigerian firm to jointly produce and assemble battery-operated and internal combustion engine plant trucks in Nigeria. Joint and mixed companies, enterprises, individual projects and installations are functioning effectively in Angola, Mozambique, Ethiopia, Tanzania, the People's Republic of the Congo, Zaire, Ghana, Mauritania and elsewhere. A significant number of Bulgarian specialists have been hired on the spot to carry them out and along with this they pass on their rich experience to their local colleagues and actively aid in training skilled national personnel. At present, Bulgarian specialists are employed in various sectors and areas of the economic life in the Subsaharan African countries. Many Africans are being trained in our institutions of learning.

The results of multilateral cooperation are most starkly and convincingly apparent in the development of our trade with the Subsaharan African countries. At present they comprise over 25 percent of Bulgarian trade with the developing nations. Over 15 years, from 1960 to 1975, this has increased by more than 100-fold and reached 100 million dollars.²⁴

Here is how trade has developed with five of them (without Zambia) since 1975.²⁵

Table 6
(in million leva at current prices)

Country	1976	1977	1978
Nigeria	28.9	32.1	36.4
Angola	0.6	20.3	17.2
Tanzania	1.4	6.6	9.4
Mozambique	0.1	2.0	0.5
Ethiopia	0.2	2.8	0.4

At present the predominant share of Bulgarian exports to this region is made up of foodstuffs with around 33 percent. In second place are machinery and equipment with around 30 percent.

Around 15 percent of the exports are made up of chemicals. There is an impressively broad range of Bulgarian exports to these countries. For Angola there is a predominance of batteries, battery-operated and internal combustion engine plant trucks and medicines, for Nigeria pumps and products of the textile industry, for Tanzania, construction equipment, for Senegal products of the food industry and so forth.

Our imports from Subsaharan Africa at present consist almost exclusively of raw materials and this is fully understandable. From Nigeria we import primarily oil, copper from Zambia, cotton from the Sudan, cacao from Ghana, coffee from Angola and so forth.²⁶

The main areas and criteria for this cooperation in the following period are: aiding the development of the national economy of these countries, the ever-deeper

linking of them to the socialist commonwealth and providing the necessary conditions for their development along a socialist path, providing the necessary raw materials for our nation; realizing foreign exchange earnings.

From what has been stated, the conclusion can be drawn that the nations of Sub-Saharan Africa and in particular the designated six countries of this region correctly and validly hold a special place in our foreign economic policy. The socio-economic goals and tasks which they have set for themselves, like the political and economic positions of our country as a part of the socialist commonwealth, create the necessary prerequisites for the full-scale development of Bulgarian economic relations with them.

FOOTNOTES

- ¹ T. Zhivkov, "Otchet na TsK na BKP pred XII kongres i predstoyashtite zadachi na partiyata" [Report of the BCP Central Committee at the 12th Congress and the Party's Forthcoming Tasks], Sofia, Partizdat, 1981, p 11.
- ² Khr. Khristov, "Results and Prospects of Foreign Trade," VUNSHNA TURGOVIYA, No 3, 1981, p 4.
- ³ K. Nikolov, "The Development and Improvement of Foreign Trade Ties," MEZHDUNARODEN ZHIVOT, No 4, 1981, p 18.
- ⁴ G. Vutev, "From a Worthy Place in the World," RABOTNICHESKO DELO, No 19, 19 Jan 1981.
- ⁵ "Programa na BKP" [The BCP Program], Sofia, Partizdat, 1971, p 55.
- ⁶ Khr. Khristov, op. cit., pp 3-4.
- ⁷ K. Nikolov, op. cit., p 4.
- ⁸ T. Zhivkov, op. cit., pp 56-57.
- ⁹ "Sofiya pres" [Sofia Press], R No 314/25 July 1979, R No 262/14 June 1979, R No 250/7 June 1979.
- ¹⁰ "Afrika. Politiko-ikonomicheski spravochnik" [Africa, A Political-Economic Reference], Sofia, Partizdat, 1973, pp 12, 17.
- ¹¹ IKONOMICHESKI ZHIVOT, Nos 3, 14 January 1981.
- ¹² Of the independent African countries, 15 are in the sterling zone, 12 are in the franc zone and 18 are associated with the EEC.
- ¹³ MEIMO, No 2, 1979, p 42.
- ¹⁴ IZVESTIYA, 9 January 1981.

- ¹⁵ In 1950, the production of the per capita total national product in the developed capitalist states exceeded this indicator for the developing nations by 11.2-fold, while in 1975, this difference was already 17-fold (Ye. S. Popov, "Novyy etap bor'ba za natsional'noye osvobozhdeniye" [A New Stage in the Struggle for National Liberation], Moscow, Mez. otnosheniya, 1978, p 99).
- ¹⁶ From 1970 onwards their annual increase has been around 14 percent and over 15 percent for grains (IKONOMICHESKI ZHIVOT, 14 Jan 1981).
- ¹⁷ IZVESTIYA, 9 January 1981.
- ¹⁸ RABOTNICHESKO DELO, 1 October 1980.
- ¹⁹ Ye. S. Popov, op. cit., p 71. Table 5 also shows this.
- ²⁰ MEZHDUNARODNAYA ZHIZN', No 3, 1978, p 47.
- ²¹ Y. Davidov, "Amerikanskiyat imperializum v Afrika na yug ot Sakhara" [American Imperialism in Subsaharan Africa], Sofia, Partizdat, 1977, pp 34, 35 and 36.
- ²² OTECHESTVEN FRONT, 29 August 1980.
- ²³ EUROPA ARCHIV, May 1977.
- ²⁴ "Sofiya pres," No R-110/15 February 1980.
- ²⁵ VUNSHNA TURGOVIYA, No 7/8, 1980, p 9.
- ²⁶ "Vunshna turgoviya na NRB 1960-1973" [Bulgarian Foreign Trade 1960-1973], Sofia, pp 35-120.

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ACTIVITIES OF 12,000 BULGARIANS IN KOMI-ASSR DESCRIBED

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 2 Dec 81 p 9

[Article by Dimitur Minchev, Sivtivkar-Sofia: "With Bulgarians in Komi ASSR--New Economic Approach in the Taiga Too"]

[Text] Improvement of Brigade Organization

Everybody Receives according to his Labor Participation Coefficient

Quality Incentives and Penalties

Electronics to the Aid of Labor Administration and Organization

Three settlements have been constructed for the Bulgarians engaged in timber logging in Komi ASSR, and a fourth is now being built. Over 12,000 people live here--more than 5000 loggers, 3000 machine operators, mechanics and drivers, 1500 construction men, and 900 employees in trading services, public food service and other activities. The managements of the trust and of the four forestry exploitation enterprises every day must not only manage production activity, but also solve all the problems characteristic of every settlement system in our country. Work in the taiga, in the settlements, in the enterprises and in the lumberyards must be organized and synchronized so that not only is the big production program successfully fulfilled, but that high efficiency is achieved as well.

Veteran economic executive Stefan Stefanov has been employed here for many long years as deputy director general for economic matters of the timber-logging and construction trust. His contribution and his organizational work in introducing the principles of the new economic mechanism are indisputable.

"Although conditions here are radically different--we operate with a temporary table of organization, we are endeavoring to introduce and prove the forms and methods of the new economic approach," he told us. "Brigade organization of labor has been introduced into all timber-logging and construction activities and we are systematically improving it. In spite of specific conditions the brigades operate on internal profit and loss accounting, which is based on three fundamental

elements--objects of labor, means of labor, and live labor itself. In the timber-logging brigades we have succeeded in working out norms for moral and material incentives and everybody here receives according to his contribution.

"Unfortunately, no such orderly system of incentives for economies of fuels, spare parts and materials has as yet been established in the timber-carrying brigades. We are seeking forms and ways of tying the activity of servicing personnel in with production. Last year we adopted the indirect piece-rate system of payment, linked with the final results of the units serviced. The remuneration of tractor mechanics, for example, is dependent on the fulfillment of the timber-logging plan. Of course, in our case all forms of pay and incentives are hard to introduce because of the great turnover. Every year 5500 new workers come here to work under contract and the same number leave. But the idea of the new economic mechanism must be very well explained to the workers if they are to understand and accept it out of conviction; otherwise, it will not yield the expected results."

Formerly, hundreds of small timber-felling and timber-carrying brigades worked in the taiga. The rayon BCP committee held a plenum at which problems in the brigade organization of labor were discussed. As a result of this, they were consolidated and now there are 102. Of these, 18 have four tractors each or, as they say here, a "quadruple complex" (one tractor with the people to man it constitutes a complex), 56 brigades have three machines each, 22 have two tractors each, and six have a single complex. Experience shows that brigades with four tractors each are most efficient, but those with triple complexes are most stable.

Improvement of internal profit and loss accounting has made it possible to introduce monthly settlement of accounts in the brigades. They have adopted the practice of determining every brigade member's labor participation coefficient, on which his remuneration depends. This is done at a brigade meeting. Every month the brigade council determines what each worker's contribution has been to fulfillment of the plan. This was introduced in the timber-carrying brigades 2 years ago, and in the timber-felling brigades this year.

Internal profit and loss accounting has also been introduced at the so-called lower lumberyard, which is actually a large sawmill where lumber is cut up and shipped out, and construction work is done under a job-contract-plus-bonus system.

In determining incentives and penalties not only direct production indices, but also certain moral-and-ethical and social behavior are taken into account. If a worker quits the brigade during the month, it forfeits the right to a bonus; conversely, if conditions are created in the brigade and new workers are hired and they stay on the job for at least 3 months, the brigade's pay is increased 5 per cent. The purpose of this is to create a wholesome sociopsychological climate in the brigades and to eliminate turnover.

The brigades that fail to clean up the areas cleared after felling, that fail to lop the felled trees and thus hamper the work of the next units in the conveyor belt are penalized, while those who strive to create high job standards and leave the areas well cleaned up behind them receive bonuses. The brigade of distinguished logger and holder of the Georgi Dimitrov Order, Milko Stoyanov, provides

an example in this respect. It took the high job-standard initiative of delivering well lopped logs. The initiative gained great popularity not only among our timber-logging enterprises, but also throughout the republic of Komi. It introduced a new technology. Their allotment [delyanka] (sector in which they produce lumber) was visited by the first secretary of the oblast CPSU committee in the Komi ASSR, Ivan Morozov. He expressed his gratitude for the brigade's exemplary work. It was rewarded on the part of the Soviets with a tractor and a sum of money. The technology of Milko Stoyanov's brigade became the standard with which all timber loggers in the Komi ASSR are compared.

Application of the new economic mechanism has its favorable impact under the specific conditions of the taiga as well. Average fulfillment of norms in the timber-felling brigades is 135 percent (in the lumber enterprise at Blagoievo it reaches 150), in the transportation of logs 130, in the cutting up of timber at the lower lumberyards 143, and in railroad car loading 140 percent. The construction workers who are building the Northeastern Highway, the bridge over the Vashka River, housing complexes and other projects are also successfully coping with the tasks assigned them.

The newly built electronic computer center is of valuable help in the improvement of administration and in the betterment of the organization of labor.

"It is supplied with modern, integrated-CEMA-system equipment and is the fruit of the integration of the socialist countries in this sphere," the center chief, Ivan Kirilov told me. "Systems for the operational administration of timber logging, of material and technical supply and of transportation, as well as the technical and economic planning system have been set up and are already functioning. We rely a great deal especially on the personnel system, which at any moment helps solve such basic problems as requisitioning, personnel fluctuation, number of workers, qualitative personnel. Within the framework of the personnel system the so-called biorhythm for drivers of timber-carrying vehicles will be worked out so as to know at any moment which of them are able to fulfill their tasks successfully, which are not and for what reasons."

The collective of the timber-logging and construction trust in the Komi ASSR celebrated a sort of anniversary this autumn--in November the 26 millionth cubic meter of lumber was produced and sent to the homeland. And this is a great contribution not only to the provision of sufficient lumber for tremendous construction and for the production of furniture, woodwork, paper pulp and other products, but at the same time to the creation of normal conditions for the development of our timber resources as well.

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INDUSTRIAL PRODUCTION, COMMENT, DURING JANUARY-NOVEMBER 1981 PERIOD

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 23 Dec 81 p 6

[Committee on Integrated Social Information System: "Industry of Bulgarian People's Republic During January-November 1981 Period"]

[Text] The plan for the production and sale of commodity output was overfulfilled during the January-November period.

Industrial production during the 11 months of the year increased 5.5 percent over the corresponding period of last year.

Broken down by ministries, fulfillment of the production and sales plan is as follows:

Ministry	Production of commodity output	Commodity output sold
Ministry of Power Supply	100.9	101.6
Ministry of Chemical Industry	101.1	100.4
Ministry of Machine Building and Electronics	100.5	99.9
Ministry of Light Industry	102.6	100.9
National Agroindustrial Union	100.8	100.5
Ministry of Construction and Architecture	100.3	98.2
Ministry of Metallurgy and Mineral Resources	100.2	97.4
Ministry of Transportation	101.0	100.0
Ministry of Forests and Forest Industry	101.8	101.0
Ministry of Internal Trade and Public Services	104.0	102.4

The production of certain basic industrial products is as follows:

Product/Unit of measure	Output produced	Jan-Nov 1981 as percentage of Jan-Nov 1980
Electric power, 000,000 kwhr	33,145	106.0
Briquets, 000 tons	1,295	100.8
Rolled ferrous metals, 000 tons	3,016	105.7
Galvanized sheet iron, 000 tons	100	114.8
Steel tubes, 000 tons	236	106.8
Electronic instruments, lot of 1000	297	115.8
Lathes, each	8,114	100.8
Cranes, each	1,919	103.5
Internal combustion engines, each	18,927	148.4
Electrotelphers, lot of 1000	108	102.0
Nitrogen fertilizers, 000 tons	679	102.1
Phosphorus fertilizers, 000 tons	231	116.1
Oil paints and varnishes, 000 tons	44	93.3
Synthetic fibers and rayons, 000 tons	92	105.7
Cement, 000 tons	4,996	102.4
Asbestos-cement pipes, 000 m	2,365	109.7
Bricks, lot of 1 million	1,313	100.8
Paper pulp, 000 tons	166	103.6
Paper, 000 tons	313	108.7
Cardboard, 000 tons	60	107.3
Household glassware, 000 leva	25,754	113.6
Faience tiles, lot of 1 million	236	106.7
Cotton fabrics, 000,000 m	317	102.7
Silk fabrics, 000,000 m	32	105.6
Outer knitwear, 000,000 items	38	103.0
Sewn goods, 000,000 leva	269	106.2
Shoes, 000 pairs	15,953	104.6
Meat, 000 tons	427	101.6
Meat products, 000 tons	86	104.3
Canned fruits, 000 tons	241	113.8
Brynza [sheep's milk cheese], 000 tons	92	107.7
Kashkaval [yellow cheese], 000 tons	21	120.8
Sugar, 000 tons	350	106.8
Tobacco products, 000 tons	79	106.8

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POSITIVE EFFECTS OF HIGHER WHOLESALE PRICES OUTLINED

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 2 Dec 81 p 2

[Article by Georgi Suev, director general of Main Price Administration of State Committee for Planning: "Wholesale Prices in Keeping With New Conditions"]

[Text] At the end of last month the government passed a decree regarding a planned wholesale price change in 1982 and the Eighth Five-Year Plan and establishment of new purchase prices for certain agricultural products.

After the wholesale price reform of 1 January 1980, the new planned wholesale price change of 1 January 1982 is a natural result of further improvement of the wholesale price mechanism and system.

Structure of Economy To Be Improved and Its Efficiency Raised

There are several reasons that necessitated the planned wholesale price change of 1 January 1982. To begin with, some new changes have taken place in the international prices at which the raw and other materials, machinery and equipment etc. imported into our country are bought, as well as in those for our export output. The effect of these changes had to be reflected in a planned way in our wholesale prices. Another reason was the necessity of creating conditions for the consistent application and strengthening of profit and loss accounting in production units. It was also dictated by the requirements of the economic mechanism, considering that the profitability index figures as the main criterion of production efficiency.

The planned wholesale price change encompasses mainly the output of manufacturing industry and, in part, certain raw materials and energy resources. The new prices assure greater personal interest on the part of economic organizations in economical and efficient utilization of raw and other materials and other resources through thorough processing thereof, in a comprehensive economy regime and in a sharp reduction of nonproduction losses so as to obtain maximum national economic effect.

The new wholesale prices take into account more validly the technical level and quality of output, which will foster the accelerated introduction of scientific and technical achievements into production. At the same time they economically impel organizations actively to replace scarce and imported materials with new effective

materials of local origin, as well as to make maximum use of secondary raw materials. By means of the prices more valid decisions are made regarding the replacement and the use of natural and synthetic raw materials, with an improvement in the ratios between the wholesale prices and the products made from them.

By virtue of price differentiation according to quality, the wholesale price mechanism creates greater personal interest on the part of economic organizations--producers and consumers--in increasing the proportion of high-quality output, thus assuring higher profitability in the case of the former, and relatively lower expenditures per unit of net result in the case of the latter.

From a viewpoint of efficiency, given our country's participation in the international division of labor, the new prices will help strengthen the ability of our goods to compete in the international market.

Another important tendency of the positive influence of the wholesale prices in effect as of 1 January 1982 is that they will assure favorable conditions for improvement in the structure of our economy, for preferential development of high-efficiency sectors and activities.

The new wholesale prices will also play a vital part in increasing and diversifying the production of goods needed and in demand in the domestic market. This is fully in keeping with the points in Comrade Todor Zhivkov's report and the decisions of the Twelfth Party Congress regarding a decisive increase in the production of consumer goods and an increase at an overtaking rate of marketable goods in comparison with disposable income, which is an extremely important economic, social and political task.

Purchase Prices That Match Socially Necessary Expenditures

The decree also approved new increased (from 6 to 12 percent) purchase prices for several basic products of the 1982 harvest (beans--shell and snap, mature onions, fall potatoes, peaches, dessert grapes, sugar beets delivered before 30 September, "Northern Bulgaria" tobacco--in the field, as well as cotton--unginned). The new purchase prices retrieve agriculture's expenditures from the effect of the new wholesale prices on the raw and other materials that agriculture consumes, and create additional financial interest in increasing production and providing more resources for the country's needs (domestic market, manufacturing, exports). These purchase prices, as well as those approved at the end of last year by Decree No. 68 of the BCP Central Committee and the Council of Ministers, have been correlated with socially necessary expenditures and assure profitability for reproduction needs at normal yields and rates of productivity. It can be pointed out that the agricultural-product purchase-price mechanism creates favorable economic conditions in agriculture for effecting the reproduction process and, at the same time, becoming a secure rear for accomplishing the production program and further elevating the people's living standard.

A characteristic of the purchase prices of these agricultural products is that they are differentiated and tied in with quality standardization indices, whereby additional financial interest is created in producing greater quantities of high-quality

output. This unquestionably necessitates exercising more care in raising, harvesting, storing and selling output, which directly affects the role of the subjective factor and the general exploitation of natural and climatic conditions.

For the products mature beans, fall potatoes and dessert grapes produced in mountainous and semimountainous rayons, whose purchase prices are increased effective with the 1982 harvest, a bonus in addition thereto will be paid. This will create still more favorable economic conditions for utilization of the country's available resources to produce more agricultural output, as well as for application of profit and loss accounting and self-support by the agricultural organizations in these rayons.

The economic organizations already know the specific wholesale prices and used them in elaborating their 1982 plans. It has been found, however, that individual units of economic organizations do not have all the price data for individual products (for the most part, products that they consume). Since there are no objective reasons for this, they must take measures to provide themselves with the relevant price lists in accordance with the established procedure.

Economic Conditions Created for Systematic Increase of Real Income

The government's announcement of the decree that it had passed regarding a planned wholesale-price change and the new purchase prices for agricultural products pointed out that these price changes will not affect the retail prices of the articles and products in question. Consequently, the results of applying the new wholesale prices, given the retail prices in effect for the goods and products in question, will not affect the interests of producer enterprises or those of the population when purchasing them from the trading organizations. The ensuing results of the operation of the wholesale prices and the retail prices will affect only relations with the state budget.

This is corroboration of the party's policy and the main socioeconomic task of the Eighth Five-Year Plan approved at the Twelfth Party Congress. Hence the mechanism and price policy create economic conditions for systematically increasing the population's real income—on the basis of an increase in the productivity of labor and the growth of wages and social consumption funds.

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WEAKNESS, VIOLATIONS IN DOMESTIC TRADE PERSIST

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 2 Dec 81 p 11

[Article by Boris Genchev, director general of Main Trade and Public Services Inspectorate in Ministry of Internal Trade and Public Services: "Positive Changes Are Needed"]

[Text] In fulfillment of the main socioeconomic task of the Eighth Five-Year Plan, the mandate to produce additional quantities of the goods and services in demand by the population is being implemented. Further development of the self-sufficiency system of the okrugs and settlement systems has a definite contribution to make to market stabilization, too. The network of trade and domestic-services facilities is continuously being enlarged and improved. The number of stores, snack bars, shops and domestic-services pickup points in plants and enterprises is growing rapidly and appreciably.

Based on this, corresponding positive changes should occur in the work and behavior of trade and domestic-services employees. The results in this regard, however, do not match the growth in marketable goods and domestic services or in the material and technical base of trade and services.

Some Data

Without assuming that the figures here cited are the sole criterion for evaluating the activity of control agencies or the effectiveness of control activity, we must adduce the following data. In the first 9 months of 1981 the control agencies checked 63,815 trade, domestic-services and tourism facilities and found 8,738 different violations, or 13.7 percent of the facilities checked, as against 6,805 violations, or 17.6 percent, in the same period last year. Some 3,016 indictments were drawn up, or one indictment per 2.9 violations, as against 1,940 indictments, or one indictment per 3.5 violations, during the same period in 1980; 735 guilty officials were disciplinarily dismissed and 195 handed over to the public prosecutor for criminal action, as against 414 and 226 officials respectively during the same period in 1980.

Out of the total of 8,738 violations discovered during the 1981 9-month period, 71.5 percent were for injuries to citizens in trade, public dining and services. Of these, most were for inaccurate weights and measures, followed by price fraud etc.

Why is This Still So?

The data cited and the comparison made above show that violations are not wholeheartedly penalized to a sufficient degree by either the administrative and economic managements of trade and domestic-services enterprises or the agencies of the people's councils and the Main Trade and Public Services Inspectorate in the Ministry of Internal Trade and Public Services. At the same time they give reason to infer that control activity still boils down to making findings, seeking out and exposing deficiencies and the job is not vested with enough jurisdiction or a sufficiently political approach. For this reason there were only 735 disciplinary dismissals during the 9-month period as against 2,416 persons punished under PMS [Decree of the Council of Ministers] No. 127. This is an obvious sign of liberalism which will boomerang and create an opportunity for new infringements upon socialist property and injuries to citizens.

Also contributing to this state of affairs is the inadequate activity of intradepartmental day-to-day control, which in most places still has not been put on a planned organized basis; the necessary professional stringency is not displayed. Nor is the influence exerted by trade-union bodies in some enterprises sufficiently effective; sufferance and protection of some commercial employees who violate PMS 127 is tolerated. Educational work with trade and domestic-services employees is not linked everywhere in the most appropriate manner with the campaign against signs of corruption.

Violations in trade and domestic services and, above all, injuries to citizens are penalized by law. PMS 127 of 1975 figures most significantly in this regard. But obviously even after it has been in effect for 6 years there are no grounds for complacency for it must definitely be said that no reversal has occurred. A tendency is observable towards stability in the absolute number of violations and the proportion which they represent of the total number of facilities checked. Thus, during the 1980 9-month period the indictments drawn up under PMS 127 were 24.8 percent of the total number of violations found, while during the same period in 1981 they grew to 27.7 percent.

What More is Needed?

Rapid and systematic reorganization of the entire control activity in trade and domestic services in the spirit of the requirements of the Twelfth Party Congress, and application of a new approach and criterion are the most important precondition for lasting and discernible results in this area.

Attention and efforts in the campaign against negative phenomena in the service sphere must be directed towards the following:

--Intensification of control in trade and domestic services at three levels:

at the national level, control exercised by agencies of the Main Trade and Public Services Inspectorate of the Ministry of Internal Trade and Public Services by its rayon inspectorates throughout the country as an inseparable part of the integrated national control system and by supradepartmental control functions in trade, domestic services and hotels and in respect of the quality of goods and the serviceability of measuring instruments;

at the okrug level, control exercised by specialized agencies in the people's councils;

at the local level, control exercised by agencies of intradepartmental day-to-day control in trade and services enterprises. The conclusion is inescapable that wherever intradepartmental day-to-day control groups are set apart structurally in specialized units, as in the economic trade directorates in Sofia, there are real, practical results. They have won recognition as prestigious bodies—direct assistants of managements, unlike those in most enterprises in the country where control is performed incidentally.

For there to be better results, it is necessary to achieve unity of action, harmony and coordination at all levels of control activity.

These agencies must not only record negative phenomena and ascertain the consequences, but must rapidly and systematically analyze and eliminate the reasons for them. Great significance now attaches to the question of how control agencies help economic organizations in trade and services set about favorable changes.

However, the principle must be established and expanded that control agencies "invade" trade, public-dining or domestic-services facilities after representatives of the enterprises' social organizations exert influence to restrict negative phenomena by their rich arsenal of educational resources.

The administrative and economic managements of enterprises and people's control commissions can also effectively exert influence to cut short encroachments upon socialist property by utilization of the new economic mechanism. In this way control will more and more become a function of the organizations and enterprises themselves.

Control agencies must seek out and expose the basic reasons for negative phenomena, processes and tendencies and render assistance in nipping them in the bud by appropriate administrative and organizational means.

--A factor for improving the standards of trade and domestic services, such as public ratings in setting the individual wages of workers employed in these activities, must be applied speedily, on a mass scale, and systematically. What is meant is a combining of the state principle and the public principle—the opportunity for representatives of public opinion in their place of residence, in fulfillment of article 10 of MPS 55 of 1979, to suggest to people's councils an up-to-20-percent reduction in wages at negligent trade facilities and of individual workers, and at the same time to make an increase in the remuneration of those doing a good job. This would most vividly show the public character of control, but essentially this is now being done to a great extent by campaigns and inadequately.

--Diffusion of the initiative for exemplary activity without external control would have substantial influence in reducing violations in trade and domestic services. This form of self-control is already practiced in 357 trade and public-dining facilities. It will be right for the social organizations in enterprises to become active initiators of its diffusion not only in trade facilities, but also in domestic-services facilities since it embodies the elements of the sociodemocratic principle in the administration of socioeconomic processes. It has the full support of the control agencies because they are active champions of applying the New in everyday life, in practice.

The Main Trade and Public Services Directorate, the control agencies in the people's councils and the intradepartmental day-to-day control in the enterprises are not equal, by themselves, to a successful campaign against the negative manifestations in this sphere. It requires a unification of the efforts and will of the vast army of workers in trade and domestic services. Control, being part of the integral system of our socialist society, must, wherever it is carried on, be still more closely linked with the activity of the collectives. Also, our entire society must rise up and overcome the apathy and indifferent attitude of some citizens towards the striking shortcomings and violations in services. In other words, a social front must be declared against violations in trade and domestic services.

6474

CSO: 2200/53

DEPUTY MINISTER PUT IN CHARGE OF TSZ COUNCIL

Appointment of Eleki

Budapest MAGYAR NEMZET in Hungarian 31 Dec 81 p 3

[Text] The council of Ministers has released Dr Janos Eleki from his post of deputy minister of agriculture and food industry--while recognizing his valuable services rendered, and in view of the fact that he had been elected secretary general of the National Council of Producer Cooperatives [TOT]. At the same time [the Council of Ministers] appointed Dr Gabor Magyar to deputy minister of agriculture and food industry.

Eleki on TSZs

Budapest MAGYAR NEMZET in Hungarian 31 Dec 81 p 3

[Interview with Dr Janos Eleki, secretary general of TOT by Ildiko Bado: "From Six Thousand to Six Million"]

[Text] It was just a few weeks ago that Dr Janos Eleki was elected secretary general of TOT. His links with the movement began a long time ago. Right after earning his diploma he began his career in Mezokovacsahaza in the producer cooperative as trainee, in 1962. As early as in 1963 he became chief agronomist of the Uj Alkotmany [New Constitution] TSZ [Producer Cooperative]. The shortage in the supply of professionals at the time forced many of them then to progress upward rapidly on the ladder of ranks. There were too few college graduates, he was the only one in the cooperative with a university diploma. He had plenty to do. In addition to theory he had to learn the practical aspects of the job, and fit into the community. He was in an advantageous situation because he knew everybody in the area, he was from right there, and it made his situation easier that he "went back home" to work.

[Question] Others consider it a disadvantage. They feel that nobody can be a prophet in his own home.

[Answer] Perhaps not a prophet, but one can be a fellow worker who makes a profit of the community. In 1975 I continued my work as vice president of the TSZ in charge of production, and in 1978 I became the TSZ's president. We operated on an area of about 6,000 hectares. This was in part of the Bekes-Csanad [megyes] loess plateau where it was worth our whiles to include every square foot of the land in plowfield

production. A good production area. In the final analysis I spent 18 years in one place, and I believe this is no disadvantage. On the contrary. To move through all the steps, to try out responsibilities in various phases of the work is an opportunity to familiarize ourselves with the characteristics of the area, of the region, and of the production unit, and at the same time also of our own capabilities. These 18 years also provided me with the opportunity to live through and experience all the characteristics, the joys and difficulties of the TSZ movement in addition to the work.

[Question] The Mezokovacsghaza TSZ president suddenly became deputy minister...

[Answer] Practically from one day to the next. And perhaps it need not be proven that the change-over and doing a good job in the new job assignments was not easy. I worked for one year as one of the five deputy ministers, then on the 12th of December I was elected secretary general of the TOT.

[Question] That is, while earlier you managed 6,000 hectares, you now manage 6 million. This includes 1,338 TSZs, 61 special cooperatives and 760 cooperative associations. What plans do you have at the start of your job as secretary general?

[Answer] As deputy minister I also maintained my links with the plants and also with TOT. It was part of my job. Thus I do not have to "change over" to the cooperative movement now, either, because I actually never left it. Of course, I embark on my new task with ambition, since agriculture is my life, I have been living in it for two decades, and I will endeavor to discharge the duties of my complimentary job according to the best of my abilities. Fortunately there are many opportunities in the movement, and I mean, feel and say the word movement with all capital letters. Since 1962, the beginning of the reorganization period I have grown up together with it, and this situation is definitive, it compels [my] future path of life.

[Question] Last year the TSZs produced almost 200 billion worth of goods, and in five years their total output increased by over 16 percent. Can this performance be increased under the present economic circumstances?

[Answer] It can be, but every member of the TSZ movement feels its weight. The plan numbers of the Sixty 5-Year Plan place very big tasks on the producer cooperatives, but the relationship between the movement and work has such momentum that we must exploit it and we must manage well its strength. Then the upward surge will not fail to materialize, either. It also helps that the cooperative policy is an organic part of our agricultural policy, and this even in itself is an assurance of progress.

[Question.] How, amidst the tightening economic and financial circumstances?

[Answer] A certain technological background, biological foundations, or in a word material base is needed, without that it won't go. But the TSZ movement gladly accepts new things: for example, science as a production force. This can also be used to substitute for the financial things whenever, wherever, and however the opportunities open up for it. And we must have confidence in the membership which numbers over 1 million people, since they have proven themselves with their work in recent decades.

[Question] What are the points in the TSZ movement which need strengthening?

[Answer] The producer cooperatives work in innumerable other areas in addition to their basic activity. Of course, this broad scale has some colors which are more faint, some points which are weaker than the others. Such are, at this time, the units which operate at low levels, and which must be brought up to the average levels. The TOT has a very significant role in this. Even if for no other reason, then because in many locations the given natural conditions are not at all poorer than those of the neighboring field. At such times it is necessary to regroup the intellectual capital.

[Question] What do you consider to be the most important change in the life of the TSZs?

[Answer] Further reinforcement of the plant democracy. Cooperative democracy by itself is a productive force. We must use it.

[Question] There are many attacks on the household plots. The infrastructure of villages is being discredited. There are many debates about the situation of agricultural intelligentsia. There is great uncertainty in evaluating the role of the detached farms [tanya]. What do you think about these?

[Answer] A healthy impatience is understandable since the difference still exists between city and village. But the developing modern infrastructure of the districts can be greatly influenced by producer cooperative operating there. And even if the present situation of our national economy cannot permit us to develop the settlements at the rate we employed during the last decade, the strong TSZs can take over the care of the life of the village community. The water and electric lines, roads, schools and day care centers can have owners. These tasks are corollary to the activist life of the producer cooperatives. This is how the work of the TSZ can coexist with the social and political life of its surroundings. And the detached farms? At the time the large fields were formed, and during the course of large scale operation they hindered the economic operation in many places with the fact of their presence. For this very reason most of them ceased to exist during the last 15 years. For the most part the remaining ones today solve the livestock raising tasks of the household plots and auxiliary farms, and do small scale production. Of course, they do this meritoriously only in those locations where there is water and electricity. The situation of clusters of detached farms is different; serious agricultural production is conducted there. After all, the detached farms are not to be destroyed, nor to be kept alive at all costs. Their situation must be evaluated individually, and by region. And the intelligentsia? The agricultural intelligentsia has a significant role and respected place in the life of the districts. With its presence it carried a new spot of color to the ranks of the village intelligentsia during the course of recent years. Reinforced its numbers and the effect of its role on the community. In the beginning it was not easy to fit in. The agricultural intellectual was able to get recognition only when the level of the economic operation of the TSZs improved and society also took notice of their work. This is when the agricultural intelligentsia truly fitted in, this is when the village community accepted them among the rank of intelligentsia.

[Question] In your opinion, what is the main task of the movement until the fifth congress of TOT, during the next 5 years?

[Answer] First of all: to represent interests. But never against someone else, always on behalf of someone. The TOT as an interest representation organ must answer before the general public as part of the national economy's distribution of work, for the work of the TSZs in the interest of fulfilling the mutual goals, and for the further development of the life of the movement. And also to further develop the possibilities of this "answering" legally as well as economically.

[Question] What is your message to the agricultural engineer trainees now starting out? It is possible that, according to your example those who do their share of the work and take part in public life, two decades later will also have the opportunity to participate in directing?

[Answer] My advice to my young colleagues is: be impatient. Healthy impatience is a driving force. Of course, today there are fewer spectacular, rapid promotions which satisfy the professional and human desires. When we started out, the supply of specialists in the TSZs was different, the work often had to be organized in mud, on a bicycle or on horseback, there was less time for the professional part. This is different today, the young people find themselves confronted with a higher level of economic operation, and can live better in their profession. Myself, looking back at the past, can only say that I was just as proud of the respect I received as TSZ branch manager as I was later of my position as deputy minister, or am now to have become secretary general of TOT. In the final analysis it is not the position but the pleasure derived from the work done that qualifies a person.

B584

CSO: 2500/110

NUCLEAR POWER PLANT CONTROL SYSTEM READIED

Budapest MAGYAR NEMZET in Hungarian 31 Dec 81 p 3

[Article, no author given: "The 'Brain' of the Paks Nuclear Power Plant Comes to Life"]

[Text] The old year is being sent on its way with a farewell to work in the Paks nuclear power plant. Its designers have accomplished this year's special, triple technical task: start-up of the first turbine with outside steam, lifting the No 2 reactor shell into its final place, and preparing the No 1 reactor block for operation.

The "brain" of the nuclear power plant, the complex process guidance and control system named Uran-2 which will come to life with the cooperation of Hungarian and Soviet experts, will also take part at the end of this year in the series of start-up operations, followed with tense excitement. One of the system's tasks is to collect operating data on the nuclear power plant. The type M-60 information collector will contain signals from about 7,000 monitoring locations.

8584

CSO: 2500/119

BALANCING TRADE PUTS BRAKES ON INVESTMENT

Budapest NEPSZABADSAG in Hungarian 6 Jan 82 p 10

[Article by Andras Nyilas, deputy director of the Economic Research Institute: "The External Balance and Investments"]

[Text] In 1979--result from well-known changes in external economic conditions--a new phase began in the development of our national economy, improving the external balance came to the forefront of our economic policy. Prior to this, between 1974 and 1978, domestic use--primarily as a result of the new international price relationships--significantly exceeded domestic resources, the real incomes deriving from domestic production. The deficit had to be financed with external resources.

Following 1978, in the interest of restoring the deteriorated external balance, we moderated domestic use so that even though consumption has risen slightly in the past 3 years, accumulation decreased considerably year by year; in 1981 it will probably be one-third less than in 1978 when the level of investments, but especially the accumulation of stockpiles, was prominently high. The decrease in domestic use also moderated economic growth; in the last 3 years together national income grew by hardly 2 percent. The new producers price system introduced in 1980 and the modification of economic regulators, which tries to grade the management of industrial enterprises on the basis of the value judgment of the world market, contributed to this. In 1980 to 1981, on the basis of the new price and cost relationships, the enterprises reduced their uneconomical production and export. The increase in relatively more economical production and export only balanced out this drop at best.

Cyclic Fluctuation

Holding back domestic use (consumption and accumulation) and economic growth achieved the goal--our nonruble-accounting foreign trade balance improved and is approximately balanced. Although domestic use in 1981 still exceeded national income, this "over-use" was a good bit smaller than in 1978 and preceding years.

But with all this, the external balance did not improve to the extent intended in the original plans. In addition to the shortfalls with production and export plans, a role was again played by investments exceeding the plan. Despite the tightening and restricting measures, the investment plan was overfulfilled in 1980 and probably in 1981 as well. Although the magnitude of this is not nearly so great as in earlier

years, it can start processes endangering our balance goals. It appears that about the middle of the past year the investment cycle reached its lower turning point; a large number of investment starts, the appearance of postponed investment demand and starting the new economic policy development goals project the danger of an upswing of such magnitude as to increase overdistribution again.

Such a cyclic variation of investments is not an unknown phenomenon in the Hungarian economy. Since 1968 the swings have been damped somewhat but this cyclic fluctuation was characteristic of the development of investments during the Fifth Five-Year Plan also. In general, investments decline when the external balance deteriorates and pick up when the external balance improves. This interdependency applied even to the period immediately following the price explosion; even though the fundamental cause of the balance deficit was the change in international price relationships, which was extraordinarily unfavorable to us, the losses deriving from this were significantly worsened by the cyclic variation in investments. After a favorable development of the foreign trade balance in 1972 to 1973, investment activity accelerated in 1974 to 1975, then again stagnated temporarily in 1976 after the prominent balance deficit. Our foreign trade balance improved somewhat in 1976 and investment picked up again, reaching the peak of the cycle of 1977 to 1978, when our total foreign trade deficit reached a record level.

Investments have a manifold effect on the foreign trade balance, especially with import for direct investment purposes. In 1973 the import of dollar-accounting investment goods hardly reached 10 billion forints; in 1978 it was 27 billion forints. By itself this increase precipitated almost half the 1978 deficit of more than \$1 billion.

A New Upswing?

We put a brake on the increase in investments in 1979 and in 1980 to 1981 we decreased their volume by about 6 percent annually. Various analyses concluded that domestic use must be reduced further, in the interest of consolidating the results in external balance relationships and because of the deteriorating external conditions. Reducing consumption, however, is not a realistic alternative, so investments must be moderated in 1982 also, despite the fact that numerous factors would justify an increase in investments. The most important of these factors are the following: as a result of the reduction in investments thus far the developmental resources available, in many cases, do not even permit maintaining the level of production and service activities; a significant change in production structure and export structure is accompanied by rising investment demand; the energy management rationalization program and an acceleration of it also increase investments; going beyond a reduction in investments, the original plans prescribed almost 1.5 times as much as the previous 5-year plan for export development and import replacement investments; the already known new development programs, central goals and interstate contracts require many billions in new investment; and making the so-called "crisis branches" and enterprises "in trouble" economical is also an investment question.

Investment Hunger

These factors, cited only as examples, show that it is just a hypothesis that after a 3-year investment "ebb" the danger of investment expansion in 1982 is real--despite the requirements of the balance. Economic guidance has already taken several measures

to avoid this. On the one hand these measures significantly reduced the framework for state investments and on the other hand they considerably moderated the enterprises' own developmental resources. This latter was necessary because experience thus far proves that enterprise investments were the determining factor in the development of the investment cycles, in the overfulfillment of the investment plans.

An "investment hunger" is characteristic of our management in general; this is especially true of the enterprises. Adding up the 5-year plans of the enterprises indicates an investment resource demand that is a good bit more than is calculated on in the national economic plan. According to a survey last year by the Economic Research Institute the industrial enterprises want to increase investment in 1982 by an average of 20 to 30 percent as compared to last year. Surveys by the banks also indicate an upswing in investment intentions. The enterprises are encouraged to do this now just as they were in 1969-1971, 1974-1975 and 1977-1978 by having at their disposal more developmental resources from profits greater (a good bit greater) than planned. In the first three quarters of 1981 the profits of the producing enterprises--disregarding agriculture--exceeded those of one year earlier by roughly 20 percent, with an increase in production of 1 to 2 percent. Looking at the past year as a whole, the tighter measures aimed at increasing the efficiency of management considerably moderated the increase in profits and, as a result, the enterprises' own developmental resources.

In spite of all this, according to experience, the increase in the enterprises' own resources in itself does not cause a proportional upswing, because without external resources their own resources are in general insufficient to justify larger developments. Thus, in addition to a cutback in investments by means of a global moderation of the enterprises' own resources it is also necessary to keep central financial resources and resources that can be controlled centrally (for example, supports) within the planned frameworks. In 1982 there will probably be a good bit greater pressure than before--for example, the credit sphere also--and there is a danger that the credit demand arising will ultimately lead to overstepping the planned frameworks also.

The present developmental period places very stepped-up requirements on our management. This also appears in the fact that we must export more and export more economically with less investment amid external economic conditions that are ever deteriorating and becoming more difficult for us.

But on the basis of an international comparison we cannot regard domestic investments as low. In the majority of the developed capitalist countries the level of investments has stagnated virtually at the 1973 level since the world market price explosion. Here the volume of investments in 1978 was almost 1.5 times that of 1973; even in 1981 it exceeded it by almost 30 percent. We should regard a planned development of investments as an especially important task because a possible investment upswing would endanger not only our external balance but also the standard of living of the populace.

AGRICULTURAL OUTPUT FOR COMING YEAR HIGHLIGHTED

Budapest NEPSZABADSAG in Hungarian 16 Jan 82 p 1

[Article by unnamed correspondent: "One Hundred Billion in Production Value"]

[Text] We Expect Higher Average Crops of Wheat and Potatoes

This year our national economy expects 4-4.5 percent more product from the agriculture than last year. Within this in crop growing the projected growth is 3-5.6 percent.

This year the gross production value of crops will exceed 100 billion forints according to the projections--calculated at 1976 prices. Within this the acreage production represents the largest value with over 70 billion forints. We expect gross production values of 9.5 billion forints each from vegetable and grape production. Our plan is counting on almost 8.5 billion from the fruit orchards and a gross production value of 3 billion from the other, smaller branches.

The various grain crops, spiked grains and corn among them, are the main plant types of our plowfields. For grain types the plan can be fulfilled by increasing the production acreage and the yields per unit area. This latter, the average yield must be vigorously increased compared to last year's mainly in the case of wheat (4 tons per hectare) for 1982 (4.6 tons per hectare). Projected wheat production is almost 1.4 million tons higher than last year's actual figure. In the overall picture, compared to last year's almost 12.5 million tons, approximately 14 million tons of grain will be able to cover the demands domestic supply and export place on the domestic grain production.

Among the so-called industrial crops this year the growing acreage of sugar beets will be similar to that of last year. By means of a small increase in yield the 122,000 hectares can produce 100,000 more tons of sugar beets--a total of 4,636,000 tons--than they did last year. According to the projections the growing acreage of tobacco will remain unchanged, while that of the oil crops will decrease. Instead of last year's 303,000 hectares, this year we expect only 290,000 hectares of sunflowers.

The country expects over one million tons of potatoes produced on the plowfields. In addition to this we can expect 500,000 tons of potatoes from the household gardens. We expect 1.5 million tons of vegetables from the plowfields instead of

last year's 1.4 million tons. The role of cooperation between large farms and the small producers will increase primarily in the case of vegetable types requiring much manual labor. The situation is similar in fruit production, and within this primarily in the case of raspberry, strawberry, currant, that is, the berry fruits.

Higher average crops will this year also have a large role in all branches of crop production. In many areas the biological conditions do exist for this. The plan the farms to use 15 percent more chemical fertilizers. Significant sums can be spent on improvements, on soil improvements, and on protecting and improving its producing capabilities.

The plan expects higher efficiency in the utilization of the materials and equipment used in the service of crop production, and the energy saving technologies will spread further. Simultaneously with the increase of production, its profitability and also the international competitiveness of the products of crop production will improve.

8584

CSO: 2500/118

MINISTER QUIZZED ON DISSOLUTION OF TRUSTS

Budapest MAGYAR HIRLAP in Hungarian 4 Jan 82 p 7

[Interview with Dr Imre Kovacs, deputy minister of agriculture and food, by Ivan Gador; date and place not specified]

[Text] Cogitative people have their doubts, and Dr Imre Kovacs, deputy minister of agriculture and food, is no exception. Thus, as he said, he is basically optimistic about the prospects of the current changes. He, together with others, prepared the government decisions that last year decreed the dissolution of a total of seven food-industry trusts or nationwide enterprises. And he has to implement these decisions. This interview is with him.

[Answer] The theoretical debates are over. It has been demonstrated that, under the present conditions, only a variagated economic structure, with enterprises of varying size and with different forms of ownership, can satisfy the diverse social requirements.

Now the time has come when practice must prove or disprove the theoretical arguments. This will not be easy. International conditions have become even more complex during the period just ended; among the food-exporters there have appeared competitors with whom we did not have to reckon earlier; and our production costs have increased for objective reasons. Whether the birth of enterprise independence will liberate reserves sufficient to offset the deterioration due to changes in market conditions is a big question.

Are our enterprises able to utilize the opportunities inherent in independence? Or will they behave like the lion born and raised in captivity and now forced to survive amidst the inexorable conditions of the jungle?

[Question] Within days, then, a good many enterprises will be freed from the "captivity" of the trusts. Will they be able to survive in freedom? Exports worth hundreds and millions of dollars will hinge on their ability. Do you believe that all of them will be able to stand their ground and even increase their output?

[Answer] I would hesitate to lump together the more than 50 enterprises of the dissolved seven trusts. The food-industry sectors that the individual trusts represent differ in their level of development, and the situation of the individual enterprises

also differs. Some enterprises are well-equipped, while others are practically near collapse. Presumably the enterprises with a high technical level and skillful management team will prove more viable than the enterprises whose plant and equipment are obsolete and management not very imaginative. The latter enterprises will obviously need help, particularly in the initial period.

[Question] Let there be no misunderstanding. In this case there is no close correlation between the technical level of the enterprises and the quality of their managements. The trusts centralized the developmental resources, and in most cases used them in a concentrated manner. Thus some enterprises were modernized completely, while other enterprises did not get enough investment even to maintain their technical level.

[Answer] In itself the fact that this practice has now been abandoned would be poor consolation for, say, the Kobanya Brewery (Kobanyai Sörgyar) that accounts for half of Hungary's total beer output. A considerable lag has to be eliminated there. And we will eliminate it. The blue-collar workers and middle managers at this enterprise are fostering old brewing traditions. It is not their fault that the enterprise is in its present state. And it is likewise not their fault that they now lack internal resources for essential development projects. We will appoint a new director general to head the enterprise and will provide central assistance that will enable the enterprise to raise itself to a competitive level. The situation is similar at the Gyor Bisquit and Wafer Factors (Gyori Keksz- és Ostyagyar). It too will get central aid. Our objective is to ensure that every enterprise that has become independent recently, or will become independent in the near future, has the basic technical and financial conditions for enterprise operation. Without this it would be foolish to expect a profit of anyone. For in the future profit will be the primary criterion for the evaluation of any enterprise.

[Question] Up to now the general directorates of the trusts "spared" enterprise managers the trouble of making basic decisions. Will this task not be an unfamiliar one for them now? Will they have sufficient knowledge and experience for successful independent operation?

[Answer] The member enterprises of the trusts enjoyed a certain degree of independence already in recent years. I have very great confidence in most of their managers, for they have been full of good ideas even up to now. Ideas for whose realization there is more opportunity now with the establishment of direct self-interest. The value judgment of the domestic consumer and foreign market will rate the realized ideas. In this way the unfit will soon be screened out. And there will be no appeal. Everyone will have only himself to blame for failure. The rules of the game for today and tomorrow cannot provide dispensation for failure.

[Question] But they do provide excuses. The deputy director of a winery complained that enterprise independence in their case is mostly illusory. He needs approval from MEM (Ministry of Agriculture and Food) to travel abroad; they must produce and market so-called low-cost wines although this is unprofitable; and even the purchase price of grapes is regulated by a MEM directive that can be regarded as binding. His appointment, dismissal and premium are decided by someone in the ministry who is mostly unfamiliar with the situation and has never met the deputy director. Perhaps all this is not even an excuse.

[Answer] I will give specific answers to specific questions. Authorization to travel abroad, appointment, dismissal and premiums are truly still within the competence of the ministry. However, the system of state supervision is undergoing simplification. In our opinion, the rights of deputy directors and supervisors should be entrusted to the enterprise management. When this happens, the chief executive officers of the enterprises will have to decide such matters. They are familiar with the situation and know the persons involved and thus can make correct decisions. However, no central apparatus of any size would be able to effectively supervise, in accordance with the regulations now in force, so many independent enterprises. The work of enterprise supervision must be simplified because our apparatus has to be enlarged even so, and because meaningful decisions can be made only there, at the enterprises, where the success or failure of the decision can be felt. Naturally, meaningful state supervision must remain a very important task of the ministry also in the future. And so far as low-cost wines are concerned, every product that does not and cannot produce a profit for the enterprise but is essential to the population's supply--such as milk, for example--will receive a suitable central subsidy. The final objective, of course, is to narrow the circle of subsidized products.

[Question] And what about the centrally regulated purchase price of grapes? Co-operative enterprises and state farms buy grapes at the going price and get good value for their money.

[Answer] The situation is the same at the wineries. Last fall we called a meeting of winery directors, and I myself told them that if they found the price specified in the MEM directive too low, they could depart from it at their own risk. But anyone who does so and ends up with a loss should not come to us for aid. The directive was issued not to hamstring the wineries, but to prevent unhealthy competition in purchasing.

[Question] Evidently you are saying this because you have had unfavorable experience in other areas. The state and cooperative enterprises that purchase rabbits competed with each other so "successfully" in bidding up the price paid to rabbit breeders that in the end the breeders became completely confused (they also reduced their output) and the situation deteriorated into open hostility. Yet these enterprises should be collaborating.

[Answer] This is true not only of the state and cooperative enterprises that purchase rabbits, but of all enterprises that specialize in the same field and now find themselves in a competitive situation. Even under the wildest free-market capitalism the competitors eventually came to the conclusion that hostility can bleed them all to death. The organizational framework for fruitful collaboration exists. In poultry production, for example, where there is likewise competition between the breeding, feeding and processing enterprises, an association was formed already last summer. It has brought together--on a voluntary basis, of course--all the state, cooperative and joint enterprises that have an interest in breeding, feeding, processing and foreign trade. We expect the association to successfully coordinate the mutual interests of all participants in the vertical integration of poultry production, on the basis of domestic consumption and export demand.

[Question] The association is a good thing, and it truly can serve as the framework for coordinating the ideas of mature and imaginative enterprise managers.

However, the already mentioned example of the rabbit-breeding and marketing association demonstrates that some enterprise and cooperative managers have fatally confused their presumed momentary group interests with their real long-term enterprise interests.

[Answer] I am confident that the mentioned example of the rabbit-breeding and marketing association is an exceptional case, and I am also confident that in the end all the interested parties will find a common ground, and that it will not be necessary to intervene officially in their dispute. Indeed, we must hope that the vast majority of our enterprise managers are not only professionally competent, but are also able to recognize broader interests and to exercise self-restraint when necessary. Had we lacked this confidence, we would not risk to adopt our present measures that are changing the entire structure of the food industry. Last year --after dissolving, as the first step, the wine-industry, tobacco-industry and sugar-industry trusts, and the national confectionary-industry enterprise--we did encounter some lack of self-restraint during the first six months following the adoption of the mentioned measures. But the parties concerned very soon recognized that in certain matters they had to continue to cooperate, and that the coordination of their activity was expedient. This is what they are doing today, and our one-year experience with modernizing the organizational structure is unambiguously favorable.

[Question] Are you not disturbed by the fact that the present measures ordering the decentralization of the enterprises have been received with misgivings even by those who earlier had been ardent advocates of enterprise independence? Even in the present interview I have been able to call attention to so much doubt.

[Answer] There is nothing wrong in this. Our concepts and theories regarding enterprise organization are worth as much as we are able to confirm in the course of practical realization. Doubts that bring real contradictions to the surface, but at the same time seek solutions, can be of help to us in this respect. This is true, of course, only if we do not become like the Danish prince [Hamlet] who said: "...the native hue of resolution is sicklied o'er with the pale cast of thought; and enterprises...lose the name of action."

1014

CSO: 2500/115

REASONS FOR DISSOLUTION OF AGROTROSZT NOTED

Budapest FIGYELO in Hungarian 30 Dec 81 p 15

[Article by Janos Felföldi: "There Should be Dealerships"]

[Text] Progress is slow in converting the demand-market of agricultural production equipment into a supply-controlled market, and often we have achieved only temporary results. This conclusion is especially valid when we measure the balance between supply and demand not globally but on the expected quality, selection and continuousness of supply.

The AGROKER [Agricultural Supply Enterprises of Pest, Nograd and Komaron megyes] forming the backbone of production equipment supply were formed in the early 1960's, in the years following agriculture's socialist reorganization. Combining the trade organizations which earlier belonged to the state and cooperative sectors and creating enterprises doing business in each megye suited the needs of agriculture at the time.

Lower Tolerance

The production systems created in the first half of the 1970's brought about a more significant quality change in the supply. That is, as it is commonly known, also undertook to supply production equipment in their area of operation. Numerous elements of the modern agrotechnology such as machinery systems, chemical materials, etc. were introduced into the Hungarian agriculture through this channel. The traditional supply organization fell a step behind the more dynamic methods of the production systems.

Beside the AGROKER enterprises other enterprises also participated from the beginning in the technical supply of agriculture. But the second trade channel, competition if you like, appeared only in the mid-1970's for machinery, chemical fertilizers, etc. These were the trade and agrochemical associations of agricultural enterprises.

A new change is that dissolution of the AGROTROSZT [Agricultural Supply Trust] combining the work of the AGROKER enterprises of the megyes has been placed on the agenda. The plans are to form a national enterprise of wholesale character that will have the task of coordinating import with the domestic needs. From now on in the sale of domestic products the enterprises selling directly to the users will

not have to use the services of the national sales enterprise, which may mean the development of a certain amount of competition.

The method of planning the trade of agricultural production equipment has not kept up with the demand. As a consequence of this, among other things during the time period of the Fifth 5-Year Plan selling difficulties appeared more and more often and for longer periods of time especially for tractors and some other work implements. And, by the end of the plan period, the shortage of spare parts and plant protection chemicals had become constant. It is also a hindering circumstance in planning machinery sales that the branch's machinery investment plan, which is the basis for the delivery contracts, no longer meets today's requirements. That is, the circumstances of mechanization have undergone fundamental changes compared to the earlier time period.

The mechanization of agriculture has entered a new stage. Most work processes are well mechanized now and it has become possible to do the work at the best time. With such a higher degree of mechanization most machine purchases serve the goal of replacement, and the replacement tolerance of the machinery systems--that is, how long the possible eliminations or substitutions can be delayed--is greater than it was at the earlier, lower level of mechanization. This is because in larger machinery parks the possible eliminations and replacements are easier to delay than in a smaller machinery park, since there is a greater possibility to substitute the various machines with each other. Among other things, the increase of machinery stock depreciated to zero, as well as the unsold inventory during the time period of the Fifth 5-Year Plan also prove this. Machinery sales will have to consider these facts.

Six to Seven Percent per Year

Even though the value of the machinery investment plan of the Fifth 5-Year Plan's time period was minimally overfulfilled, the capacity of the investments is 15-20 percent lower than was planned. According to studies by the Agricultural Operations Research Institute the price level of machinery increased by 6-7 percent per year during this plan period due to price increases concealed in changed type structure and model modifications.

I mention machine price increases because this factor must be considered in evaluating the demand by farms able to pay for it. For this very reason a multi-factor planning method would be needed which takes into consideration the changes in solvent demand and is not limited solely to the distribution of investment budgets according to machine types.

This is especially important now when the independence of the trade enterprises is increasing and the danger of lack of coordination is raised. Nationwide coordination and comprehensive review must continue to be implemented in the supply of agricultural production equipment. But this coordination must be based on flexible new solutions that take into consideration the independence of the enterprises.

The coordination must cover: evaluation of the demands of the buyers, the domestic and foreign machinery purchase possibilities, attitude to be taken in dealing with suppliers, regrouping the supplies or orders deriving from machinery sales the extent of which differs with the various regions, etc.

Isolated Inventories

Without the appropriate interest system of the production equipment trade enterprises it is difficult to keep up with the demands of the users. A significant portion of the development fund formed by the trade's profits had to be spent on building new facilities. After that there was hardly any money left to increase stock. (The strict regulatory system of financial management which often incorrectly interprets the national economy's interests also had a role in this.)

Faster growth of the spare parts trade inventories was not in the interest of commerce because, as we are talking about low turnover items, expected profits lag behind profits derived from the sale of the basic fast turnover inventory.

In the interest of insuring their production the farms increased their technical material stocks with large expenditures. Of the 85 billion inventory of our farms, the value of technical and chemical materials is 14 billion forints. At the same time the stock value of AGROTROSZT's network is 6 billion forints. (I left out the value of machinery from both sides of this comparison.)

Such a disproportionate distribution of the inventories is undesirable not only because of the load bearing ability of the farms but also is in contrast with the requirements of the national economy's efficiency. That is, it can be accepted as a general rule that with a well organized regional supply the inventory value can be at the most 40-45 percent of what the 1,500 user farms now keep on hand.

500 Million Expenditure

The situation is especially serious in spare parts supply. The problem is not a new one, and it seems that we cannot expect improvement either in the domestic or in the CEMA relationships with the present methods.

The chronic problems of spare parts supply can be solved only by placing it on new foundations. A coordinated program of measures would be needed which, beyond the import and international agreements, would provide room for direct contact among enterprises, for the technical supply organizations of foreign manufacturers to be set up in this country, for their consignment warehouses, and also for cooperative manufacturing.

Evaluating the operating areas of the production equipment sales organizations can also be linked to the spare parts supply. The regional network would significantly decrease the material purchasing costs of the farms. Twenty percent of the Hungarian agriculture's truck park of 30,000 trucks has load capacity under one ton, and about one-half of these serve the purpose of purchasing materials. On the national average 3,000 to 3,2000 motor vehicles are running around [sic] or waiting because of material purchases, and the cost effect of this exceeds 500 million forints per year. In the case of better organized supply this cost could be decreased by 30-35 percent.

The situation which has developed in supply probably cannot be changed quickly. Redirecting the inventories of the farms to commerce--without eliminating the basic reasons [for it]--is not a realistic goal.

But starting out from the given situation it would be expeditious to assign this job to regional associations. In addition to the farms of the region, the various production systems and the AGROKER enterprises would also participate in these. The activity of these associations could include the entire chain of spare parts management from suppliers to the users.

The jobs cannot be narrowed down to the various sections of the chain. It can not be assumed that most problems will be solved by eliminating the AGROTROSZT.

8584

CSO: 2500/118

FACTORY MAKES COMPETITIVE CNC MACHINE TOOLS

Budapest ESTI HIELAP in Hungarian 3 Jan 82 p 3

[Interview Matyas Jakab, director general of Machine Tool Industrial Works, by Judit Palffy: "Machine Tools"]

[Text] The Classic Lathe--Rotating Chain Cartridge

The two-hundredth one and the first one. Both serial numbers designate the computerized processing center with numerical control completed just recently in the Esztergom Milling Machine Works of the Machine Tool Industrial Works. This was the twohundredth high performance and expensive CNC (Computerized Numerical Control) machine produced here, and the first one sold directly overseas from here, beyond the Atlantic Ocean in the USA.

Oil Industry

[Jakab] We are represented by North West Industry [sic] in Oklahoma City, and they have already placed an order with us for another 12 machines--Matyas Jakab, director general of the Machine Tool Industrial Works informs us. -- Our processing center contributes to the production of spare parts and subassemblies of oil industrial equipment, and is the largest supplement to the CNC machine tool line of the Makino firm of Japan. They also make and sell to the USA similar constructions, only their performance and size are smaller. Our firm also represents them.

[Question] So the Makino firm is a competitor in one way, but not in others?

[Answer] They compete with us in one sense, since if we cannot deliver the processing center as reliably for the exact deadline as the Japanese firm can deliver theirs, the North West Industry will look for suppliers elsewhere. But the Makino firm does not make such a large CNC center, so that they do not directly compete with us in the trade.

[Question] What is required by SZIM [Machine Tool Industrial Works] to be able to demand a place for itself among the other firms which produce at a very high standard for one of the most demanding markets?

[Answer] Production of the first digitally controlled NC machines began in this country a decade and a half ago, followed later as the construction continuously

modernized, by machines capable of handling more and more complicated operations. Many people felt at the very beginning that the use of equipment suitable for doing work automatically was not profitable. They claimed: the machine and the control equipment are so expensive that they are not worth ordering. Since then time has proven us right, the price of the control equipment decreased to one-eighth or one-tenth of what it was a decade and a half ago. Nobody argues today whether it is worth our while to produce and use digitally controlled and computer controlled machine tools.

Cooperation

[Palfy] There is much talk about having to discontinue the production of some older models with the advance of new constructions, because this is the economical thing to do. But there still are very many users in this country who need the classical machine tools because this better fits in with their technology.

[Question] You[r enterprise] produce[s] not only high performance machinery but also classical machine tools. For how long?

[Answer] We will gradually discontinue production of the classical lathes, milling machines and grinders. We have started negotiations with a machine tool factory in Ada, Yugoslavia--within the framework of long range cooperation--so that they would supply as much of the older type equipment as we discontinue producing, and at the same time for them to buy CNC machine tools from us.

[Question] What [best] characterizes your newest CNC processing center?

[Answer] It can machine slab and box-shaped castings and steel pieces fully automatically on the basis of computerized control. The tooling head stores 50 tools, in the links of a huge, rotating chain cartridge.

[Question] What is needed to make progress compared to recent years?

[Answer] Appropriate systematic work and technological discipline at all levels of management. Everyone should receive all the information, and all materials and tools should be available whenever and wherever they are needed. Within the opportunities specified by the wage control, we try to give higher wages to the best workers. We would like to keep our best trained good workers and strengthen our core staff. Every one of the workers, economists, engineers, technologists and sales staff, we all have to stand our ground in an even more demanding system of requirements than before. We must supply good quality product, and do so on time.

8584

CSO: 2500/117

BRIEFS

AMPLE FODDER SUPPLY—Many will be affected by the success of meat production this year. Achievement of the two million one hundred thousand tons of slaughter animals specified in the plans will depend on the livestock raising enthusiasm of the large farms and small producers. The degree to which fodder supply is assured is an important condition of meat production as are financial incentives. According to Jozsef Bagi, deputy managing director of the Grain Trust, definite steps have been taken to provide the necessary fodder. He said that although dry weather in 1981 caused a cereal grain shortfall of one million tons, there will be no lack of fodder, because corn yields exceeded earlier estimates and were higher than 5.8 tons per hectare. Residual shortages will be offset by lower exports of grain. To ensure an adequate supply of fodder mixes, the grain industry will make greater use of the capacities of the fodder mix producing facilities of the large farms in addition to its own installations of this sort. Financial incentives have been adopted to encourage this, and the large farms are pleased to cooperate in providing the additional fodder mixes needed. At present livestock breeders can buy fodder at 5,700 outlets. 1,000 of which are maintained by the shops of the Grain Trust while the remainder are run by the large farms and other distributors. They can provide unlimited supplies of feed, fodder mix and feed concentrates. Private breeders can order supplies for the entire year in advance. In some cases it is even possible to arrange for home delivery at discount shipping rates. [Summary] [Budapest NEPSZABADSAG in Hungarian 8 Jan 82 p 4]

CSO: 2500/129

STABLE TAX POLICY FOR 1982 INDICATED

Warsaw TRYBUNA LUDU in Polish 4 Jan 82 p 2

[Article by J. Markusz: "Stable Tax Policy"]

[Text] On Saturday, 2 January 1982, a meeting took place at the Ministry of Finance between Minister Marian Krzak and representatives of the Central Crafts Union and the Chief Council of Private Trade and Service Associations.

As the head of the ministry emphasized, the general principles of the tax policy, which has been markedly liberalized since 1976, will be retained. The government is treating crafts, private trade and services as a permanent element of the socialist economy. With respect to other spheres, they will retain the status of a fully equal partner. This is after all the way in which the Council of Ministers Resolution No 112, on the basis of which a reform was carried out throughout the small manufacturing industry since last July, also deals with this question.

The possibility of an economic recovery, and above all of an increase in the supply of goods and services, is to a significant extent linked to the development of crafts, private trade and services. This is the reason why continual improvement of the tax and credit system is necessary.

Minister M. Krzak recalled that handicraftsmen opening new food establishments are exempt from the tax for a period of 3 years, and in the case of other types of production and services, for 2 years. Considerable reductions have also been implemented for those workshop proprietors who train apprentices and create new positions for people transferring from administration to handicraft production and services.

It appears from a statement by the representatives of the Central Crafts Union that due to the assurance of more beneficial and more stable conditions for development, over 50,000 shops have been added to crafts since 1975, and employment has increased by more than 100,000. There has likewise been a considerable increase in the number of establishments in the Association for Private Trade and Services. There is still, however, a shortage of production and service shops, both in the city and the country, while the existing ones are operating under unusually difficult conditions.

The supply situation has become even more complicated. The restriction on the allocation of fuel to private customers, in connection with martial law, has made it impossible for many goods to be delivered to stores. A gradual increase in the fuel allotments should cause this problem to be alleviated. On the other hand, the necessity of assistance, especially from local authorities, to handicraft shops producing market products is becoming apparent. There is apprehension that some establishments (among others, shops working on the basis of chemical raw materials, private hotels, and restaurants) may be obliged to limit their activity from time to time; in this connection, forms of taxation that would enable them to survive have to be instituted.

As Minister Krzak stated, more flexible types of taxes and credits will be applied, taking into account specific conditions. Proposals for improvements will be discussed jointly at similar meetings.

9909

CSO: 2600/195

GOVERNMENT ACTIONS ON ECONOMIC REFORM REPORTED

Warsaw TRYBUNA LUDU in Polish 6 Jan 82 pp 1, 5

Draft Law on Employment Fund

[Article] "Acceptance of Draft on Vocational Activation Fund; Nonrecurring Grain Loan; Coal Balance; Raw and Other Materials Supply"]

[Text] The Economic Committee of the Council of Ministers, meeting on the 5th of this month under the chairmanship of deputy premier Janusz Obodowski, considered and accepted the Council of Ministers draft resolution on the vocational activation fund. Work on this draft, as we know, has been going on for a long time. The proposals on most of the accepted solutions contained in the draft were the object of earlier consultations with the trade unions and social organizations.

The creation of a vocational activation fund is particularly important in view of the implementation of economic reform beginning January 1, 1982. Reform is supposed to improve the efficiency standards of employment and will make it necessary to relocate and retrain workers. Coproduction and supply problems and the accompanying unbalance in the labor market will require intervention activities by State organs. The vocational activation fund creates the proper material conditions for these activities. The draft resolution provides that the money in the fund will be used, among other things, to make it possible for persons temporarily out of a job, or changing jobs, to obtain new skills; to organize additional places of work; and also to pay allowances to workers in socialized work plants who have been furloughed without pay in connection with the halting or restricting of production.

The fund will also be used to finance temporary compensatory allowances, provided by Council of Ministers resolution No 169 for workers who had to change jobs, if their wages in the new plant were lower than those received in their former workplace, and also to finance allowances for juveniles, employed in plants in the socialized economy for the purpose of vocational preparation, and who are in particularly difficult material circumstances.

The draft resolution states that after all possibilities of providing employment to persons temporarily without a job are exhausted, a special allowance will be paid to ensure them an existence during this period. Thus the creation of a vocational activation fund will make it possible to guarantee all workers material means in difficult periods, will enhance the sense of social security, and increase vocational

activity everywhere where it will be of benefit to the people and the economy. The amount of the fund will be determined according to the needs dictated by the labor market. Due to the poor food market situation, the reduced procurement of farm products and the very limited possibilities of importing food, the economic committee undertook some decisions aimed at immediately activating the production and procurement of farm articles. The agricultural service is being required to conduct talks with the producers for the purpose of implementing, by February 15th, the commitments made in contractual agreements for delivery of grain and slaughter animals in the first quarter of this year.

The Economic Committee also considered the proposal from the Minister of Agriculture and Food Economy on a nonrecurring loan of grain from last year's crops. Within the framework of this loan, coupons would be issued for grain deliveries--coupons which the State would redeem during 1983-1985 according to the procurement price of grain in effect at that time. In addition, there is to be an exchange of grain and flour obtained from farm milling for bread and grain products and an exchange of consumer-type grain or fodder for sowing materials.

The Economic Committee appointed an interministerial commission which, within 4 days, will examine the coal balance and its distribution and consider the feasibility of increasing deliveries of coal for the needs of farmers. It is decided that by the end of the first quarter of this year all arrears in coal deliveries due to unfulfilled contractual agreements will be eliminated. In addition to emergency actions, long-range measures which could restore and strengthen economic ties between the villages and the towns were considered. In this context the consequences of economic reform in the field of production means for agriculture were discussed. It was stressed that the increase in prices of basic and important means of production should not effect the farmers' incomes and that the profitability of every type of farm production should be ensured.

In discussing the situation in industry, the Council of Ministers Economic Committee concentrated its attention on problems resulting from raw-and-other-materials supply. It also instructed that work on operational programs be accelerated and that the materials management office and the ministries involved quickly distribute the raw and other materials.

Press Conference on Economic Reform

Warsaw TRYBUNA LUDU in Polish 15 Jan 82 p 5

[Report of press conference with foreign journalists: "Economic Reform and its Prerequisites"]

[Text] The problems of economic reform and the preconditions of its implementation were the subject of a press conference held on the 14th of this month by Prof Zdzislaw Sadowski, government plenipotentiary on economic reform, with foreign journalists.

The conference took place at the Ministry of Internal Affairs information center in Warsaw. The government's press spokesman, Jerzy Urban, also took part. In opening the meeting he stated that reform in its present form would not have been possible prior to August 1980. But neither would it have been possible to conduct it in a

state of anarchy, during political struggles in the workplaces, and during a time of strikes. The process of implementing reform clearly conflicts with speculation on the willingness of the authorities to return to the conditions that existed prior to August.

NATO Session Resolutions - the Violation of Poland's Sovereign Rights

Taking advantage of the presence of many western journalists, J. Urban addressed himself to the recent resolutions at the Brussels meetings of the NATO Council, describing them as a violation of Poland's sovereign rights and interference in our internal affairs, and even as an attempt to dictate Poland's domestic policies, which results in a growth of tensions in Europe.

Professor Sadowski stated at the beginning that the main goal of reform is to implement a totally new economic mechanism, for the old mechanism failed. It destroyed the basic feature of good management, which is efficiency of action, brought chaos and confusion. Reform, therefore, is an absolute necessity, but it is also linked with the intention in Poland that the democratization process proceed. In Prof Sadowski's opinion, it is also the only way to overcome the economic crisis. Reform is being implemented under very unfavorable circumstances. This carries with it a great risk and uncertainty. It would be nice if it could be begun under better social and political conditions, but of course reform and its planned results should help in improving these conditions. Reform and the political-social atmosphere are linked together in a cause-and-effect relationship.

The Three "S" [self-dependence, self-government, self-financing] Formula Lives

The proclamation of martial law has made only one important change in the process of implementing reform. That is the suspension of activities of workforce self-governments. Prof Sadowski emphasized, however, that the authorities are definitely willing to have the self-governments gradually return to the enterprises. Thus the three "S" formula is still alive.

The basic economic threat to reform are the supply difficulties which result primarily from the country's very limited payments capability. The elimination of this threat will depend to a great degree on the attitude of our western creditors and contracting parties. A motivation system has been built into a strong economic mechanism, a system encouraging a growth of production and export. An improvement in supplies would undoubtedly increase the effectiveness of this system.

One of the first questions asked by foreign correspondents pertained to the undertaking of a system of temporary measures in the economy. Professor Sadowski explained that this concept can only be used in the legal sense. The temporary measures term was applied to the Council of Ministers resolution on the principles of enterprises' functioning in 1982. These principles are in agreement with the directions of reform. Only the method of their legislation is temporary. In view of the necessity to quickly familiarize the enterprises with the new mechanism, there was no time to pass parliamentary laws and the government resolution form had to be used.

The next question: Is reform possible when raw and other materials and energy are subject to distribution? In a situation where there are supply shortages, distribution is a necessity. An effort was made, however, to limit it as much as possible. The supply priority was given to the protected zone determined by so-called operational programs which cover basic means of consumption, production and export. The distribution method has been greatly changed and conforms with the spirit of reform. It is determined with the help of a formula of product [i.e., goods and services] allotment for a specific important production, and not by an organizational unit [i.e., plant and equipment] formula, as in the past—for the ministry, association or very influential enterprise.

In answer to the question of a guarantee that in the future a complete formula for reform would be applied, including the element of self-government, Professor Sadowski said that the only guarantee is that the new economic mechanism will operate successfully, that the crisis will be overcome, and that conditions will be created for the functioning of self-governments. One of the correspondents asked about the relationship between self-government and the party organization in the plant. These relationships were defined in the laws on an enterprise and on self-government. The more active and more resilient the plant party organization, the greater will be the role of the party in the life of the factory community.

Prices and Compensation

The foreign journalists were also interested in the anticipated effects of price reforms. Professor Sadowski emphasized that the form of the price decisions and the method of compensation will depend on the results of consultations with the public. An increase in prices is essential, but the main problem is to eliminate the danger that the population groups with the lowest incomes will not be hit too hard, and that the drop in the level of consumption will not be drastic. From this standpoint, it is most important to prepare a correct system of compensation. In his opinion the increase in food prices should be, generally speaking, fully compensated, and the size of the compensation should be related to the size of the ration-card allotments. J. Urban announced at this point that variants of decisions relating to prices and compensations are being prepared at this time which differ from those that have been published so far.

More Exports, Faster Debt Repayment

The last group of problems raised during the conference concerned Poland's economic links with foreign countries. In Professor Sadowski's opinion, the only way in which the debt will be paid and the amounts owed on foreign credits will be reduced is by an increase in exports. The new economic mechanism contains strong pro-export incentives. They include a system of foreign-exchange allowances for supply imports and a provision for granting foreign-trade licenses to enterprises. J. Urban stated in conclusion that correct trade and economic relations depend primarily on the general international climate. At present this climate was seriously disturbed by the American restrictions toward Poland and the USSR and the resolutions of the last sessions of the NATO Council in Brussels.

IMPACT OF MARTIAL LAW ON ECONOMIC CONDITIONS REPORTED

Warsaw ZOLNIERZ WOLNOSCI in Polish 16 Dec 81 pp 1, 2

[Article: "Martial Law in the Country Facilitates Gradual Normalization of Life"]

[Text] -- Most Industries Working without Troubles

-- Transportation Operating Quite Efficiently

-- Improvement in Provisions of Milk and Bakery Items

-- Dismissal of Incompetent Governors and Directors

(PAP). Martial law in the country means special principles of public life and special obligations for every citizen. These rigorous principles of action were dictated by extraordinary goals, of which the most important is to assist the people's everyday lives. These principles are mandatory on everybody without exception, for on this depends not only the fate of the state of law and order but also the tranquility of its citizens.

The vast majority of society, having received news of such momentous import, demonstrated understanding and a sense of responsibility; people maintained calm and a good civic attitude. They submitted to the obligatory orders, prohibitions, and limitations. What decided them in this matter was an understanding of the fact that it had to come about, along with the information that anarchy and laxness in the economy could not continue ad infinitum if our country and people, located in the middle of Europe, did not wish to be annihilated.

There are still persons, however, who act as though they did not understand or believe the situation and the consequences of the executors of the new, extraordinary regime. Such persons are attempting to act in a manner which can in no way be tolerated any longer.

Lack of information cannot be any excuse here. The prescriptions are clear and specific, albeit harsh. And everyone knows what the consequences of violating law and order would be. Hence there is no possibility in any case for counting on indulgence. For this has become a matter of vital importance for the state and the people.

institutions, where production results are fundamentally affected by the smoothly regular delivery of copper as well as insulation materials shipped in from Bydgoszcz.

At the Krakow-Plaszow PKP Junction many members of the railroad institution remained at their posts after their own working hours in order to substitute for their co-workers who were unable to reach their shifts on time. Similar examples of understanding among fellow workers and a good civic attitude were provided by workers at the Skawina Electric Power Station.

Particularly outstanding service was rendered by the workers of the Railroad Rolling-Stock Repair Plants in Bydgoszcz, where some of the workers voluntarily curtailed their leave time.

Key production institutions were also functioning without any great troubles in Kalisz Province, including the ZNTK in Ostrow and the WSK in Kalisz.

The efforts of the builders in the LAZ [Lublin Coal Basin] are now being concentrated on building a pilot extraction mine in Bogdaniec as well as a second one in Stefanow. Crews of the Mining Operations Enterprise in Lecznio have proceeded to deepen one of the shafts for the mine in Stefanow; moreover, its construction has entered upon the phase of mining operations, while the important rail phase has been completed at the LZW construction.

From information coming in from the Szczecin-Swinoujcie port complex it turns out that on Monday the dock-workers trans-loaded 26,600 tons of cargo and did a similar amount of work on Tuesday.

A vitally important matter for society is the development of farm produce and meat procurement. Procurement points, including the Samopomoc Chlopska District Cooperative, as well as the food-processing industry, are operating at full speed. Beginning on Monday, the 14th of the current month, there has been a marked increase in the procurement of meat and grain from farmers in the Bydgoszcz Province. The procurement of livestock for slaughter in various other regions has been clearly very differentiated. In Bielski Province on the 14th of this month farmers brought in a great deal more flocks and herds than they had delivered in the preceding days. In other provinces things were varied and often very bad. And it is precisely the development of procurement which is the key to improving the food market.

Supplying the cities with food items on Tuesday was similar to what it has been up to now, although certain cities had difficulties with the delivery of baked items, for example.

Frustrated Attempts at Disturbing Work and Public Order

At certain places of work and institutions of higher learning within the country, despite the adoption of the decree on martial law, there were continuing attempts to disrupt work and public order.

The forces of law and order, supported by the workers' aktiv and operating in a decisive manner, succeeded in cutting short a strike at the Warski Shipyard in Szczecin. The leading strike committee was arrested, together with several other joint organizers of the strike.

Tuesday, 15 December was the second day of work and functioning of the country, of all state organs, of the life and work of citizens under the conditions outlined by martial law. How the situation looks in certain particular localities is testified to by the information flowing in from the country as follows:

A fact of particular value is the attitude of civic understanding in the face of events of such momentous importance. Although it is difficult to adapt oneself to the extraordinary means which have been undertaken in order to effect a return to equilibrium and calm, nevertheless, sober-minded citizens share the view that this is the path to normalize the situation and is inevitable for beginning a process which is of key importance today--bringing the country out of its deep crisis.

If it is a matter of the functioning of industry, then on Tuesday almost all the production institutions in the chemical and light industries were working. Among them were the Nitrogen Plants in Pulawy and the Stilon Distillery, the institutions of Tarnobrzanski Zaglobia Siarkowy, and the pharmaceutical enterprises. Clearly there has been no lack of problems--especially in the matter of maintaining supplies of materials and fuel.

From the information which the departments sent in to the Ministry of Metallurgy and Engineering Industry the directors of the 40 largest Warsaw institutions of this sector of the economy have reported that in all of them, as of the afternoon of the 15th of the current month, production was continuing at the normal rate. There is a problem, however, in maintaining supplies of technical materials, and there is a shortage of fuel.

The enterprise directors emphasize that the principle of one-man decisions, as introduced by the martial law, along with one-man responsibility, has favored the operational management of the institutions as well as the easing of situations which were sometimes tense.

During a meeting First Deputy Minister of Metallurgy and Engineering Industry Stanislaw Wylupek and Commissioner-Plenipotentiary of the National Defense Committee, Major General Jerzy Modrzewski underscored the present extraordinary status of the enterprise directors and managers.

Despite significant drops in the temperature, rail transportation was functioning basically without any troubles. Local transportation, for example, in Warsaw, Krakow, and Bydgoszcz, was likewise operating fairly well under the present conditions. There has been a marked decrease in the traffic of privately owned automobiles.

Nor have there been any significant difficulties in getting to work in the big cities. For example, most of the factories in the capital province of Warsaw have begun their normal operations early in the morning.

Almost all the production institutions were also functioning in Krakow. Nearly the full staff reported for work, for example, at the Vistula Clothing Industry Plant, where approximately 1,000 suits are produced daily. In some factories production complications have been caused by shortages of raw materials, and bonds of cooperation have been interrupted. This has been felt by the Armatura and Kabel

Developments and resulting actions were similar in returning to order such places as, among others, Huta Warszawa.

Likewise in Warsaw units of the law and order forces blocked off the area of the SGGW--AR [Agricultural Academy]. There were no incidents. Several persons were arrested from among the most active of those engaged in preparing a strike and complicating the easing of conflict.

Arrested at Warsaw University were three students from the Department of Philosophy, members of the suspended NZS who had hung up posters with false information and having the effect of causing a public disturbance. Criminal proceedings have been initiated against those who were arrested in accordance with Art. 48, Par. 2 and 4 of the decree of martial law.

Despite the above-mentioned incidents in various regions of the country, attempts to undertake strikes have been frustrated; nor was there any need for the regime to use force. This was the case, for example, at the Gryfia Shipyard and the Parnica Drydock in Szczecin, as well as at the Swierczewski Institutions in Warsaw.

Supplying the Needs of Human Society

Despite the extraordinary situation, deliveries of basic food items have not worsened. In certain sectors there is even a certain improvement.

Milk is being delivered to the market in quantities which are approximately 2 percent higher than during the corresponding days of the previous week. Furthermore, it arrives at the stores during the early-morning hours and with considerably fewer delays. Bakery production is being maintained at full capacity. Flour supplies guarantee the maintenance of continuous production of bakery items. At the same time, however, an excessive buying up of bread has been observed. Demand has increased about 20 percent.

[Omission in text]; on the 16th of this month the principle of selling one loaf per customer was introduced.

There has been a clearly marked improvement likewise in the deliveries of rationed items. There are still some slight difficulties in purchasing flour. Its supplies, however, are sufficient, and they cover the full amounts allotted by the coupons.

An increase in discipline on the part of the producers has been observed. There has also been an elimination of the phenomenon of holding back on certain surplus goods in some provinces. This has brought about a greater degree of evenness and better proportionality in the conditions of supplying the human needs of particular regions. Improvement in the functioning of the coupon system has also been influenced by reducing the scale of the phenomenon of selling rationed items over and above the coupon system. Workers in the field of trade have treated their difficult duties with a great deal of responsibility. The transport of domestic trade is functioning without any troubles, and--let us recall--it has been militarized. It has obtained aid in the provision of fuel supplies.

The system of supplying human needs is guided centrally by the Ministry of Domestic Trade and Services. Special groups are also called upon, including representatives

of the producers. Their goal is to ensure a smooth regularity and precision from the viewpoint of the basic requirements and the structure of deliveries.

In the Capital

On Tuesday evening--the third day after martial law was declared--life in Warsaw was rolling along calmly in general. There were relatively few vehicles on the streets and only a few privately owned automobiles. There were military patrols at the most important facilities, at street intersections, and at the central government buildings.

On some of the streets in the center of the city vehicular traffic was limited. In general, local transportation has functioned efficiently and smoothly.

At the Warsaw East Railroad Station around 1900 hours there were not many travelers. A few people were waiting in front of the ticket office. This place does not enjoy a good reputation in Warsaw, since it is a sort of "haven" for the marginal society of Praga.

For the last few days, however--as we were told by the deputy station chief, Mieczyslaw Polec--it has been peaceful here, and the hooligans have cleared out of the station areas. The implementation of martial law and the militarization of our institution have been accepted with understanding, and the new situation has not brought about many changes in our work. For discipline is a fundamental principle of railroad work; without it the railroad simply could not function.

Despite the lack of telephone connections, the Rescue Service was functioning normally. In the opinion of the vice-director for medical treatment of the Rescue Service in the capital city of Warsaw--Stanislaw Kosikowski--who was on duty Tuesday evening in service along Hozej Street, the number of calls and trips was about the same as that noted during the previous period. Radio connection, which had been rigged with the aid of a militia patrol, successfully passed the test.

The accidents in which the Service has provided aid recently have had no connection at all with the martial law and have been typical. At this time of year one notes, as usual, more breaks and other injuries as a result of the slippery street surfaces.

In certain Warsaw factories radical functionaries of Solidarity have undertaken attempts to exert pressure on their fellow comrades at work, trying to get them to strike. It was against this background that a situation at the Color Cinescope Plant in Piaseczno led to an incident. In the break between two shifts in the monochromatic section a group of extremists from Solidarity were forcefully holding back people who were leaving the plant area. The workers who were being held back reacted very sharply; matters came to the point where violent words and punches were exchanged.

In Krakow

In Krakow there is an atmosphere of calm and dignity. Local transportation, trade, and deliveries were functioning normally. The troubles which initially occurred (on Monday) with the delivery of bakery items have been eliminated. The one city newspaper is appearing. In a clear majority of institutions the production of goods

which are so necessary for the country is rolling along without any trouble. The usual nervous grumbling and complaints brought about by the imposition of martial law have been settled by talks within the ranks of the plants.

The crew of the electric power station in Skawina has been working very well, providing 500 MW to the national network. Many members of the crew who were on leave, when they were informed of the need for an increased effort, voluntarily returned to work ahead of time.

The Senate of the Krakow Academy of Medicine addressed an appeal to its students that they, in connection with their lengthy holidays, voluntarily undertake work as assistants, nurses, and ward attendants in hospitals. This appeal met with a positive response.

Dismissal from Posts

For refusing to carry out tasks resulting from the decree of the Council of State concerning the introduction of martial law the Minister of Metallurgy and Engineering Industry has dismissed the following persons:

Master Engineer Jan Czogala from the post of director of the WSK PZL [Polish Aviation Plant] in Swidnik;

Master Edward Nitka from the post of director of the Polmo Shock-Absorber Factory with its facility in Krosno;

Master Engineer Stanislaw Matusik from the post of deputy director for technical matters in the Polmo Shock-Absorber Factory with its facility in Krosno.

In connection with the loss of fitness for effective management, which manifested itself in the lack of a genuine realization of the government programs, as well as the ineffective execution of urgent tasks, the Minister of Metallurgy and Engineering Industry has dismissed Master Engineer Henryk Wilek from the post of director general of the Ursus Heavy Industry Association with its facility in Warsaw.

For incompetently carrying out the tasks resulting from the decrees of the Council of State's resolution dated 12 December of this year on introducing martial law the Minister of Metallurgy and Engineering Industry has dismissed from the post of director of the Bumar-Warynski Excavator and Hydraulic Equipment Plant, Master Engineer Zenon Sokalski.

At the same time the Minister of Metallurgy and Engineering Industry entrusted the execution of the duties of director of the Bumar-Warynski Excavator and Hydraulic Plant to Master Boguslaw Grzeskowiak.

ECONOMIC SITUATION UNDER MARTIAL LAW REPORTED

Warsaw TRYBUNA LUDU in Polish 4 Jan 82 p 1

[Article by Andrzej Leszczynski]

[Text] In compliance with the instructions of the Military Council of National Salvation [WRON], a Council of Ministers resolution announced on 31 December 1981 outlined the principles for the operation of the economy during the period of martial law. In adapting these principles to the conditions resulting from this situation, the Council of Ministers was guided by the principle of simultaneously putting into practice new economic mechanisms, to the extent that this is possible.

Consequently, new producer prices have been introduced to reflect better the real value of raw materials and power. This represents an essential condition for initiating factory management based on cost effectiveness.

An obvious consequence of the change in producer prices will be changes in retail prices. But we were prepared for this. We knew that, in addition to goods sold at free prices and goods sold at regulated prices, some products, mainly consumer goods, and some services would be bound by official prices established by the Council of Ministers. Not only will this protective instrument be maintained, but the list of consumer goods sold at official and regulated prices will be expanded. However, this does not preclude price increases for these goods as well, which may occur on a limited scale corresponding to an increase in compensation.

Will limiting price increases on consumer goods place the factories producing these products in a worse economic situation? Will it not limit their profits, and the earnings of work forces as well? In order to prevent this, the Council of Ministers resolution provides for state budgetary subsidies to cover the difference between official prices and real production costs. In this way, the protection of society's living standard will be guaranteed and enterprises will not lose their equal chance.

At the same time, given the extremely difficult raw materials-power situation, many enterprises temporarily will not be able to undertake production or to manage under the new, reformed principles. This is because our meager raw materials resources and power potential must reach those plants in which production serves the most pressing needs of the society and the economy. In the November resolution concerning the principles of operation of state enterprises in 1982, the Council of Ministers specified nine priority operational programs.

These are the delivery and management of fertilizers and pesticides; the supplying of agriculture and industry with machinery and replacement parts; milk processing; the supplying of the health service with medications and equipment; the supplying of the market with the means serving the maintenance of cleanliness and hygiene; the production of articles of clothing for children and young people; the production and transport of coal; the production of hot-rolled products and the increased growth of export.

The December resolution adds more operational programs to this list, programs that are not less vital; namely, the production and supply of the market with meats and fats; a program of municipal management, transportation, heating and water purification and supply; rail and highway transport; and a program for producing and supplying work clothes and protective clothing.

For plants finding themselves outside the sphere of the operational programs, plans will be made for the displacement of employees; the principles for determining remuneration, the directions of alternative production and the ways of using the reserves and producer goods accumulated there will be established. We must utilize our people, our equipment and our raw materials.

The temporary limitations of economic reform are necessitated by the economic crisis and by the rules of martial law, the goal of which includes the resolution of rudimentary production matters. It is understandable--e.g., under martial law conditions--that individual management and individual responsibility come to the forefront. The directors and the directorial cadre play an important role.

The activity of workers' self-governments has been suspended under martial law. But this suspension will last only as long as martial law and its rules continue. Then the self-government must enter its role as one of the three fundamental mainstays of economic reform. It is already possible to introduce new financial tools enabling the initiation of cost effectiveness in plants implementing major economic tasks. In this way, a second mainstay of reform is constructed; i.e., the self-financing of enterprises.

The Council of Ministers December resolution supports the principle of liquidating associations and replacing them with voluntary unions. Although this does not include militarized associations, it represents a real manifestation of the independence of enterprises--the third mainstay of reform.

The complex economic and political situation dictates changes and modifications. But these corrections do not revise the principles of reform. The temporary restrictions are orders that issue from responsibility for the economy and for the life of society, that cannot be subjected to any more risky tests. At the same time, conditions are being created leading to economic stability, which will readily enable the institution of all principles of reform. Without a doubt, only total economic reform can ensure the developmental prospects of the nation. Paradoxically enough, the restrictions of martial law, which today foster the setting the economy in order, are creating a guarantee for the realization of this reform.

NEW PRICE ADJUSTMENTS FOR 1982 REPORTED

Warsaw TRYBUNA LUDU in Polish 4 Jan 82 pp 1-2

[Article by T. Jezioranski: "When Will the Market Be Better? New Prices In the New Year"]

[Text] "This year will be marked by a general adjustment of prices," asserted Minister Zdzislaw Krasinski, chairman of the State Price Commission, at a press conference on 2 January 1982, and presented a group of journalists with the long awaited pamphlet containing a draft of the new food prices and compensation. "The principal aim of these adjustments is to create a good market in Poland within one or two years; a good one," Professor Krasinski added, "meaning no worse than Hungary's."

Of course, it may seem to a person accustomed to the sight of completely bare shelves in stores that this is unrealistic in such a short time. This, however, does not alter the fact that it would be difficult to conceive of a good market at all without a price reform. It is, therefore, a necessary condition, although not a sufficient one, for creating a situation in which a person with money will be able to buy the goods he needs.

As a matter of fact, the proposed new retail prices for food, fuel, and energy that are contained in the pamphlet (distributed by the "Ruch" kiosks) do not differ from those suggested by Professor Krasinski last summer. While they aroused serious doubts at that time, however, judging honestly, it is difficult to question them now.

Last summer, though, the proposed retail price changes were of an almost exclusively drain-type nature and were not linked with other decisions contributing to economic recovery. On the other hand, today the same proposals are no longer a life preserver of dubious efficacy, but constitute the means to the end as part of a broadly conceived concept. This puts the unquestionable difficulties associated with the new price lists in a completely different light.

Viewing the matter logically, the first element in this concept is changing producer prices and setting in motion mechanisms for continually revising them in accordance with the level of world prices. Obviously this entire operation

will also rapidly affect the retail prices of virtually all industrial products. Some will rise in price more and will become more expensive more rapidly in the future; the prices of others will change less at first and then will change more slowly; but on the whole, objective market laws, rather than the whim of officials, will eventually begin to govern all of these prices.

The second part of this concept, socially the most sensitive one, is changing retail food prices. In this case, however, after a one-time increase to a level of profitability (with a few exceptions, for example milk and butter, the new prices of which will be showing a loss as before), producers will not be able to raise their prices freely. The State will decide on all changes in the prices of basic food products and basic services.

It is obvious that a one-time increase in almost all retail prices (in this case the term "one-time" may refer to a process lasting several months) and the establishment of mechanisms for continually revising them will cause severe gaps in the family budgets. The methods for counteracting these negative consequences of the price changes are the following two elements of the concept.

The first of these is of a social nature. As described in the pamphlet, it is an alternative system for public compensation, and a permanent mechanism, worked out under the auspices of the ministry of labor, wages, and social affairs, for increasing wages and services in order to compensate for the increase in living costs.

Independently of the methods of a social nature, however, new economic and financial mechanisms are coming into force throughout the entire economy, side by side with the new price lists and rules for price formation. In the final analysis they are the very element that was missing last summer, and that ought to result in a good market. Such a market will not be achieved even with the most thoroughly thought out system of compensations and payments.

It will only be possible to achieve a good market when straightforward cost effectiveness makes supply and demand into a system of naturally combined instruments, and when it will only be possible to achieve greater earnings as a result of greater production. It is unquestionable that the new prices together with the new rules for setting them will allow one to speak of cost effectiveness without quotation marks, probably for the first time in the history of the Polish People's Republic. This is not yet an indication of economic recovery, but it is in all probability an important remedy, although not the only necessary one. Its application will be painful, but will create a chance for recovery.

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DETAILS OF PRICE REFORM EXPLAINED IN INTERVIEW

Warsaw ZOLNIERZ WOLNOSCI in Polish 13 Jan 82 p 3

[Interview with Prof Zdzislaw Krasinski, minister, chairman of the State Price Commission, by Roman Przeciszewski: "Before the Prices Change; A Difficult But Indispensable Operation"; date and place not specified]

[Text] Without a doubt, the most thoroughly read material at this time, which also arouses a great deal of comment, controversy and discussion, is the State Price Commission (PKC) brochure pertaining to the proposal to change retail prices. During the past year, when this topic kept returning to the mass media like a boomerang and became the subject of heated polemics conducted in family and social groups, the public slowly reconciled itself to the fact that price reform is one, and only one, of the main elements in the repair of the national economy. But reconciliation with the fact is now always synonymous with universal acceptance of the problem. So how is it now? With public agreement, will a normal market finally begin to function in our country, and will the correct economic laws become operative? The immediate future will give us the answer to these questions.

It is no secret that we are looking into this future with great interest. It is on this, of course, that pulling the country out of the crisis, thus improving our living conditions, depends. As of January 1st of this year, economic reform went into effect. New producer prices have been introduced and retail prices will soon be changed. The last attempt to do this was in 1976, but the proposals put forth by the authorities met with immediate, violent opposition. As judged by history, the proposal to increase prices was not a good one, for it gave no consideration at all to the rights of the people. Today, as we stand on the eve of price changes, the basic question arises: What is the difference between the reform in prices of 5 years ago and that which is to be implemented very shortly? And it is with that question that we begin today's interview with Prof Zdzislaw Krasinski, minister, chairman of the State Price Commission.

[Answer] Professor Krasinski: The most important difference lies in the size of the price changes, and also--and this is most important of all--on the implementation of a different system of compensation. I admit that we are now dealing with an enormous increase, much greater than that of 1976. But, as I often repeat, it is not the total amount of the price increase that is important for what is primarily important is how many times the compensation will be increased. If, for example, prices increase tenfold, and incomes increase tenfold, then for all practical intents and purposes, aside from the nominal size of the changes, there is no real basis for evaluating this fact.

Five years ago, the system, which had been debated for a very long time, provided that the higher-income groups were guaranteed a higher compensation than was guaranteed to the lowest-income groups. In addition, almost no notice was given to an entire social sphere: children, youth, nonworking women, pensioners and annuitants, received very small and almost identical allowances. It can thus be said that preference was given first to the rich, then to the wage-earners. The social injustice of such a system was immediately apparent.

[Question] How will it be now?

[Answer] We are now going in a totally different direction: We are giving priority to the poor and those less well-to-do, and we are also giving priority to the social sphere consisting of children, youth, nonworking women, and those who have not been getting any family allowances because they were not entitled to them under the regulations in effect. And so for example, a pensioner's wife, who never worked anywhere and thus was outside the sphere covered by family services, will receive this compensation. Here is another example of the direction in which this system is going: two-thirds of the total amount of compensations is allocated to the social sphere, that is, those whose share in the total receiving compensation is less than two-thirds.

This system provides special protection to families that are poor and those who have many children. It must be said clearly, bluntly, that the rich and the near-rich groups will lose, particularly if these are small families, childless families, and also the single persons, with the exception of retirees. We are dealing here with a regrouping of the apportionment of wealth, which is now very modest, in a totally different direction than has taken place during all of 37 years. In other words, this is not only a price operation, it is also a great social operation.

[Question] From the public viewpoint, there can be no disagreement with what has been said. But there still remains the unexplained matter of the size of the price changes. Do they have to be changed so drastically?

[Answer] Several days ago new producer prices went into effect, prices based--which I am emphasizing--on prices in effect in foreign trade. This is the first "price revolution" without which we cannot visualize reform, the independence and self-financing of enterprises, and the profitability of their production. The prices of raw materials thus far, which had not been changed for years and therefore were false and unrealistic, did not allow for any cost-effectiveness. Because of them, the enterprises suffered losses and the State had to subsidize them. The change in producer prices must, in turn, ricochet on retail prices--this is the normal rule. But should such drastic increases be made? If we did not do this, we would again be lying to the people, we would again be unable to face the truth. What is interesting is that the necessity for this is talked about more openly abroad than here in our country. It is worth noting that in the report of a commission of foreign bank experts which took part recently in talks concerning Poland's joining the International Monetary Fund, the first prerequisite for accomplishing this is a statement that prices must be raised and production costs must be made realistic. The need to increase the mining of coal is only in second place.

[Question] Does this then mean that prices that are below the social costs of production will cease to function?

[Answer] No, such prices will remain, that is obvious; for example the price of milk. The procurement price of milk is high. I would even say that it is too high in relation to other farm products, but since that has already happened we must reconcile ourselves with it. Conversion to the retail price would require an increase in the price of milk in trade to 25 zlotys per liter for whole milk, and 18.5 zlotys for skim milk. But if we did this, we would essentially make it impossible for children, particularly those in families with several children, to drink the amount of milk prescribed by dietitians. In this case, therefore, the State cannot skimp on funds for subsidies. And this subsidy will not be small--8.5 zlotys per liter. Similar subsidies must be applied to cultural values.

In the case of consumer goods, i.e. books, school supplies, clothing for children, we want to go in another direction, to stop subsidizing, which--let us be honest--has meant in the past that the industrial plant did not have to be extremely concerned about production efficiency. We want to include the entire price increase applicable to these products--the increase that will take place now and the increases that will take place in the future--in the increase in family allowances. Such a state of affairs will eliminate inefficiency in production, and it will also teach the habit of saving certain products from earlier years.

[Question] Many people now ask themselves what the relationship of retail prices will be to producer prices. We know what the price increase on food products may eventually be, but as a rule we know nothing about the increase in prices on manufactured goods. It is being said that now, when the enterprises want to establish prices themselves, simply enormous sums of money will be needed to purchase automatic washers or television sets.

[Answer] This is interesting: for the entire six months of last year we talked about prices of food articles, the necessity to increase them, and the public, as a result of this discussion among themselves, in the press, radio and television, intellectually accustomed itself to the fact which is going to take place. But now the public is becoming aware, or is being made aware, that an increase in producer prices must be reflected in an increase in retail prices of all articles. At present, when the shelves in the shops are empty, a double shock seems to be awaiting the public: goods will appear on these shelves, and the goods will be at higher prices. We must say at this point that the prices of goods purchased more frequently will increase less than those that are rarely bought. Today I talked with the director of "Pollena", who told me that most of the cosmetic articles in the area of hygiene and cleanliness will cost about 30 percent more. Surely, this is not so very much.

[Question] But there are also cases where the retail price will increase 80 or even 100 percent...

[Answer] The highest increases will be in prices of articles from the metals and electrical machinery industries, which is due to the large input of raw materials. But let us remember that these articles are only purchased once in a while, in any case, very rarely. A refrigerator has a life of about 12 years, and a television set, 10 years. The fact is that if someone goes to the store after a while and

sees that a black-and-white television set costs 17,000, instead of 10,000 or 12,000 zlotys, he may say to himself, dear Lord, the price went up by 5,000 and my salary is almost the same. But at this moment he should also remember that this 5,000 must be spread over 10 years, or 120 months, which amounts to an increase of about 40 zlotys a month. And that is how other items must be calculated.

[Question] Those who have already established their households will probably agree with this opinion. But those who are just beginning to establish themselves, who will just receive their housing and who face much higher expenditures in order to set up housekeeping, will undoubtedly disagree with the above reasoning. This start in life will certainly be made more difficult for them.

[Answer] We have not treated this problem with indifference. The State will ensure the establishment of households by young people. This will be done by granting two types of financial assistance. Credits for young married couples will be increased and also some thought is being given to allotting them once-only credits, not all that small.

[Question] Let us return, however, to the main subject of our conversation. The State Price Commission's brochure on proposals on retail price changes was submitted to the trade unions for their comments. Unfortunately, most people do not know the results of these consultations.

[Answer] This is really a controversial matter. We hear frequently: Was there such consultation, or wasn't there. Did it come to an end and what were the results. I would not be honest if I were to tell you that we have documents from the trade unions which clearly say what the faults and virtues of the system are, and whether it is accepted. The final phase of consultation began on October 16th, when talks with "Solidarity" began in the State Price Commission building, and when we sent the brochure to all the other trade unions, allowing 15 days for consultation. Later we agreed with "Solidarity" that the consultations would last 4 weeks. At the very beginning, the "Solidarity" experts demanded that we give them all the materials which could help them in evaluating the program, that is, all the numerical lists of price calculations, methods of calculating, etc. What is more, at their request we had to gather materials also from other ministries. During the talks that were conducted, not once did they express any reservations as to the methods of calculating costs--compensation. Independent of the work done by the "Solidarity" experts in Warsaw, the union's center in Lodz made some scrupulous calculations. From this center we received something that was even more than an approval--praise for conscientious and accurate calculations, "down to the zloty"--as was emphasized. The course of that discussion in the groups of experts showed that the method of calculating prices and the principle of compensation met with full acceptance. However, we do not know what the workforces told the MKZ [municipal plant committees?] and the plant organizations, unfortunately.

[Question] Can their opinion not be found in the correspondence which flows into the State Price Commission by the thousands? What do these letters say?

[Answer] Most of the letters and comments we receive now are from representatives of the groups of people who are worst off, the elderly, the retirees, whose fears did not disappear after reading the brochure. This brochure, although it seemed to me

to be written in a simple and easy-to-understand manner, is difficult to read. This is particularly true of the tables on compensation. Many of the calculations given, for example, by pensioners, do not take into account certain allowances which are shown as separate items, including allowances for pensioners living singly in their own housing. It should be added that we put in this allowance precisely after consultation with "Solidarity". And in the margin, the comment appears: the matter of price reform requires further, broader information, further explanation.

[Question] Is it possible, on the basis of the letters received, to characterize the results of the poll so far?

[Answer] It is significant that the large majority of the respondents are in favor of a quick, one-stage increase. Out of 1,280 letters--opinions--, only a small number talks about spreading the increase over stages. As far as compensation is concerned, the rule is this: the equality variant was not accepted. The workers and the retirees gave 40 percent of their votes to variants B and C, i.e., the more or less depressive one. In the case of social compensation, 60 to 70 percent are in favor of variant 2. We will soon have to make a decision. We are still waiting for results of the seventh, the universal poll, in which 12,000 people will vote. The results of studies conducted thus far do not show the slightest deviation from the rule, so it will probably be no different now. In view of this we would have to preserve the golden mean and select variant B for the workers and the retirees. It is the best for it has more advantages than variant C, which only transfers the resources of some groups to other groups. Variant B, let us remember, also considers work motivation. In order for the operation to be conducted efficiently, it would be better also, in deciding on social compensations, to decide on equal compensation, not calculating according to income, on the correct assumption that family allowances are already differentiated. These compensations, sunk next year into the allowances, would take family incomes into account.

[Question] The last question. As of when will the new prices be in effect?

[Answer] Price reform should be implemented as quickly as possible, for each day's delay increases the inflationary curve by 1.5 billion zlotys. It would be best to implement the new prices on a day which begins both a new week and a new month. In 1982, these conditions are fulfilled by February 1st, and also, March 1st.

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INFORMATION ON PRODUCER PRICES PUBLISHED

Producer Price Tables Implemented

Warsaw TRYBUNA LUDU in Polish 2-3 Jan 82 p 2

[Text] On January 1, 1982 a comprehensive reform of producer prices on raw and other materials and other means of production, and on charges for energy and transport of goods, is being implemented.

The State Price Commission reports that detailed price lists have already been approved on all these articles.

The detailed rules for applying the new price lists, as contained in the State Price Commission (PKC) announcement, are as follows:

--price lists will apply in relation to raw and other materials included in the list of sources of production and services which are of fundamental importance for costs of manufacture, on which official prices are established. This list is comprised of attachment No 3 to the Council of Ministers' resolution dated November 30, 1981, on the principles of operation of State enterprises in 1982.

--these price lists were prepared before the Council of Ministers passed this resolution. Because of this, they cover in some part also raw and other materials to which in 1982 official prices will not apply, but regulated or standard prices will apply. In such cases, the prices contained in the price lists are not binding and may be regarded as simply tentative prices.

--in those cases in which the enterprise-producer (seller) does not have a new price list, temporary invoices should be drawn up on the raw and other materials sold, and the invoices will be revised after a price list is obtained.

--regulated prices will be applied to raw and other materials which are delivered on the basis of distribution lists (attachment No 6 to the above-mentioned resolution) or which are covered by compulsory intervention (attachment No 8 to the resolution). Regulated prices will be fixed by the enterprises-producers (sellers) according to the rules described by the State Price Commission. The general rule for creating these prices is given in the Council of Ministers' resolution dated November 30, 1981 on the principles of operation of State enterprises in 1982. The State Price Commission transmits more detailed rules to the interested enterprises through the appropriate ministries and associations.

--on the remaining raw and other materials (not covered by the mandatory application of official or regulated prices) standard prices established by written agreement between supplier and consumer will be applied in turnovers between economic units.

--in accordance with Council of Ministers' resolution dated November 30, 1981 on the principles of operation of State enterprises (par 2, attachment No 12 to the resolution) the enterprises are required to reassess their stocks as of January 1, 1982. The result of the reassessment is the difference between the prices in effect of January 1, 1982 (prices contained in the price lists issued, prices contained in past price lists taking into account the conversion factors approved by the State Price Commission) and the prices in effect on December 31, 1981.

--until regulated or standard prices are established, prices contained in price lists in effect thus far, including the conversion factors (multipliers) approved by the State Price Commission, should be applied in turnovers between enterprises in the socialized economy and to assess expenditures. Decisions approving these factors were sent by the State Price Commission to the appropriate ministries and associations.

--retail prices of basic means of production for agriculture (i.e. retail prices of artificial fertilizers, commercial fodder, farm machinery and equipment, farm tractors and pesticides) remain unchanged until the State Price Commission issues clear instructions on the scale and method for implementing the changes.

The distribution of the price lists that are of a general nature will be handled, just as previously, by the job-printers in Bydgoszcz, Gdynia and Krakow, and by the "Dom Ksiazki" bookshop in Warsaw on 12 Nowotki Street.

Price lists of an internal character are available at the appropriate ministries and associations. Transport charges, on the other hand, are distributed by the publishing house depots of the district directorates of the State railways and departments of other haulers (PKS [Polish State Railways], Navigation).

The State Price Commission has already sent information on the new price lists and where they may be obtained to the ministries and associations.

Minister Writes on Producer Prices

Warsaw TRYBUNA LUDU in Polish 2-3 Jan 82 p 2

[Text] The chairman of the Economic Committee of the Council of Ministers, deputy premier Janusz Obodowski, sent the following letter to the directors of State enterprises, managements of small-scale production units, and managers of cooperative manufacturing and service plants:

In accordance with Council of Ministers' resolution dated November 30, 1981, on the principles of operation of State enterprises in 1982, effective January 1, 1982, the prices of a considerable portion of the articles purchased by the population will be established independently by the trade producers and enterprises (standard and free prices). This is an important principle of the new economic mechanism. But we

must take into account also the necessity to protect the budgets of most families and the need to reduce the inflationary tendencies in the national economy. In this situation, the presidium of the Economic Committee of the Council of Ministers, in accordance with the recommendation of the Military Council for National Salvation, calls attention to the fact that the principle of independent fixing of prices by sellers cannot mean total freedom. It is essential particularly to adapt price policy to current requirements of the country's social, economic and political situation.

Therefore, the authority to determine and increase prices should be used with restraint. This means that prices of individual articles in 1982 should not as a rule exceed the level resulting from the costs of production, the obligatory turnover tax rate, and the indispensable profit. This principle, in addition to prices on market articles, should also apply to standard prices on producer articles, which very decisively affect the level of the finished product.

In establishing prices it is essential that prime costs be calculated honestly and that action be taken to reduce these costs.

The presidium of the Economic Committee of the Council of Ministers has issued instructions to the appropriate organs of the Ministry of Finance and the State Price Commission to exercise control over the way that prices are established by producers and to apply the indispensable sanctions in cases where sellers are taking advantage of their monopolistic position and gaining profits that deviate extremely from the average level, and also in those cases where prime costs are not calculated honestly.

9295

CSO: 2600/222

NEW SYSTEMS OF WAGES AND INCENTIVES REPORTED

New Principles for Wages

Warsaw TRYBUNA LUDU in Polish 12 Jan 82 p3

[Interview with Krzysztof Gorski, secretary of state at the Ministry of Labor, Wages, and Social Affairs, by Zofia Krzyzanowski: "The Economic Reform -- New Remuneration Principles"]

[Text] In keeping with the points of the economic reform, wages for work will be based on existing collective agreements. These will be guaranteed wages uninfluenced by the effects of the enterprise. On the other hand, supplementary payments, largely cash awards and bonuses, will come out of the profit of the enterprise. Workforce funds, that is, the social fund and the housing fund, will also be supplementary and come out of the profit. Will the adoption of such a principle not undermine the incentive function of worker participation in the results of the enterprise [profit-sharing]? It is with this question that we approached Krzysztof Gorski, secretary of state at the Ministry of Labor, Wages, and Social Affairs.

[Answer] From the viewpoint of motivating incentives, it would of course be more beneficial if the earnings which are guaranteed, those which are independent of the economic results, were far lower than the current level. But we must take into account the fact that the reform will be introduced under conditions where the enterprises have limited responsibility. First, the state of war limits this independence. Second, part of the enterprises will have their independence further reduced, particularly during the first part of the economic reform. They will therefore have limited possibilities for making a profit, owing to the restrictions on power and raw materials, the maintenance of fixed prices as set by the State Price Commission on certain products, or the limited demand for their products. We must count on the fact that for these reasons some of the enterprises will be making no profit at all and may not even have the resources to cover their operations.

Control of Incentives

[Question] What will happen to such an enterprise?

[Answer] We are counting on the necessity of temporarily subsidizing certain enterprises in justified instances. Besides this, an enterprise which has a deficit in payments or is not earning a profit will be able to obtain bank credit, but this means that there will be bank control over the management of the enterprise and that the bank will be obliged to carry out the instructions resulting from the monitoring done by the bank.

For example, the bank might tell the enterprise to reduce material costs or personnel costs, depending upon the improprieties it finds. If the enterprise does not perform as instructed, it will not receive any more credit from the bank, and it may face liquidation. We are also counting on the fact that the introduction of economic theory will sometimes lead to a reduction in employment. The counterbalancing of the social effects of such situations will be helped by the Vocational Activation Fund (FAZ) designated for those who are forced to be unemployed for a time or to be retrained.

[Question] Let us get back to the incentive system. Should we not worry that it will be criticized for being too weak and not create incentives strong enough to improve results?

[Answer] The accusation is undoubtedly merited. We can assume that if we had entered reform conditions in a different economic and sociopolitical situation, probably the incentives being proposed would be different, to put it in general terms: more radical. Our draft came into being under pressure from two sides with diametrically opposed demands.

One side, which has in mind the situation of plants in a position to set prices however they wish, those with a better supply situation, tried to increase the risk incentive. The other side, which represented the interests of plants with limited independence in terms of supply and pricing, wanted to reduce the role of risk. Our draft takes both situations into account, and it is for this reason that we are steering a middle course between the desiderata. I personally represented the view that the "13" should be financed out of profits, but I lost here to the position of many plants which brought up considerations related to living conditions.

[Question] The draft of incentives also assumes the application of a special tax on wage increases. Is this not one more hurdle which will reduce the system's incentive effectiveness?

[Answer] At the moment of "entry" into the reform conditions the enterprises will find their situations to be quite different from one another, for reasons beyond their control in many cases. If we take this fact into account, proposing solutions concerning the level of guaranteed wages favorable to the employees, then similarly we should probably take some action in the event of the possibility of maximum wages.

It would hardly be justified if in one of the enterprises producing, for example, goods for which prices are set centrally, an enterprise which also has supply difficulties, the wages remained fixed, while in another one, which has the possibility of setting prices as it wishes and operating under known market conditions, wages could increase -- on that account alone -- by 30-50 percent, for example, within a year. The fact that these are not unjustified fears can be proved by the practice of certain enterprises operating under the conditions of Council of Ministers Resolution No 112.

For this reason the systems solutions include the introduction also of a regulator of the growth rate of wages in the form of a tax on the behalf of the Vocational Activation Fund. There will be no tax on a mean wage increase of up to 3 percent. It will only be after this limit has been exceeded that a progressive tax will be applied. It is worth emphasizing that funds from this tax will not be put into the state budget. They will be earmarked to help employees who have had to change jobs or are looking for a job.

There is one more argument calling for the application of this sort of a tax, even in the final solutions introduced within the framework of the reform. Such a tax can be an instrument for controlling the wage ratios, if only on the basis of periodic figures set jointly with the trade unions for the levels of the tax threshold and also for the scales. In bringing this subject to a close, I should like to emphasize for the sake of clarity that there will be no tax on possible cost-of-living adjustments.

Does This Not Present the Danger of Chaos?

[Question] The new wage system will run concurrently with a reform in wholesale and retail prices. Some time has to pass before the enterprises will learn proper economic theory and become aware of the principles of its operation. This first period is likely to be a time of chaos, and it not immediately provoke an incentive to increase productivity. Instead it will create a wage and price race. What will become of people who are employed outside the sphere of production and material services? Their real wages will suddenly drop, to say nothing of the relative decline, compared to other employed persons.

[Answer] Of course, we cannot rule out such a development of the situation. In the event the first months of the reform produced a very substantial lower movement of prices, we should probably set in motion some other compensatory system to protect the population's interests. It cannot be ruled out that wages will be indexed every quarter in keeping with the movement of prices on goods of fundamental importance in the cost of living index, but there is also another possibility here foreseen in the draft of the price system law: the passage of a decision to free prices temporarily.

Insofar as the problem of the long-range assurance of proper ratios between the wages of employees working in units of the manufacturing sphere (that is, those operating under the new system) and the wages of employees in which is called the budget-financed (nonproduction) sphere (certain groups of persons receiving benefits), is concerned, we see here the possibility of adopting certain fixed "rules of play." For example, those consisting of an orientation of the growth rate of wages and benefits of persons employed in the budget-financed sphere to the growth rate which employees engaged in enterprises in the material sphere achieved the previous year. Such a mechanism would make it possible to see that a more or less stable ratio was maintained between the wages of the two groups.

What Else With the Wage System?

[Question] When we talked earlier, you mentioned the draft of the new wage system, introducing uniform remuneration criteria, thereby setting the proper proportions. What is happening with the draft?

[Answer] The issue is still timely. Of course the ideal -- quietly this is what we were counting on -- would be to have the reform come after the wage system had been completely put in order. This was possible only in the case we had introduced a general price and wage reform somewhere in the middle of 1981. For many reasons such an operation proved impossible, and as a result we are entering the reform with a wage system which is quite subject to reservations. Given the assumption that under reform conditions traditional wage adjustments based on subsidies will not occur, it is necessary to bring wages into order on an evolutionary basis.

In this way we imagine that during the next few months wage and price tables which are new, general, and yet uniform in terms of the methods by which they are created, will be drawn up. The latter will probably be constructed on the "fork" [widelkowa] principle. Enterprises will be able to fill in these tables insofar as their economically managed funds allow, and it can be assumed that under favorable conditions this will make it possible for them to provide for basic wages. Of course it is neither possible nor beneficial from the viewpoint of the logic of the reform, to let things get to the place where, for example, all the plumbers in category IX throughout Poland earn exactly the same. This is a postulate which is often brought up but is so unrealistic and inadvisable that it would interfere with the basic principle of the reform: to make part of employees' earnings dependent on the economic results of the enterprise.

On the other hand, we consider it correct and necessary to bring things into some sort of uniformity in terms of basic wages and the size of derivatives of them, such as supplements for seniority, night pay, and so on. As I have already said, it would have been better if we had entered the reform after these structures had been put in order.

[Question] In our interview, as in many published articles, there has been a certain uneasiness concerning the conditions under which we are entering the reform. Generally speaking, they are not favorable. Does this fact not endanger more than just the reform?

[Answer] Such dangers certainly do exist, but in the light of current realities we can hardly talk about a reversal or any sort of radical slowing of the process of introducing the reform.

There is nothing left except to use all available resources to mobilize it, so that the changes made will go as smoothly as possible, shoring up the reform with regulations to counteract chaos in the distribution of income and protecting the weakest groups. What is necessary is the courageous monitoring of the processes as they occur to see that they are in keeping with the law. I think that after the first stormy period there will be peace on the labor market and the commodity market. We will see the end of a situation in which it does not pay to produce anything and any sort of work is unprofitable. And this will signify a return to work discipline, work incentives, and the beginning of a way out of the crisis.

Reform of Wage Incentives

Warsaw ZYCIE WARSZAWY in Polish 20 Jan 82 pp 1,3

[Interview with Prof Mieczyslaw Kabaj, Institute of Labor and Social Affairs, by Jacek Moukowski: "Reform of the System of Incentives"]

[Text] [Question] Since this January the enterprises have been operating under new principles. What are they bringing to the incentive system? Are they creating conditions for people to find it profitable to work more productively and for enterprises to have an interest in running more thriftily?and managing better?

[Answer] The incentive system is the most important element of the economic reform, the heart of the economic system. If there is truth in the notion that economic and technical progress and organizational efficiency depend on people, then the level of people's activity and their attitudes depend to a great extent on a system of incentives. It is no secret that for some time the incentive system has been in deep crisis. The most evident manifestation of this fact is the disorganization of the market, the empty shop shelves. When the money earned cannot buy certain goods, then the incentive system ceases to function. But this is the sign of many economic processes, especially structural deformities. One of the reasons for this is a practice which has after all been observed for many years, the separation of the relationship between the rise in wages, on the one hand, and the rise in production and labor productivity, on the other, that is, between work and wages.

[Question] Especially during the past year.

[Answer] Yes, although this phenomenon occurred as well throughout the entire five-year period from 1975 to 1980. In 1981 (data for 11 months) industrial production declined by 13 percent, construction by 20 percent, but the payroll fund increased by 25 percent in industry and by 21 percent in construction. There was a sudden expansion of the money supply, while the supply of goods dropped. Expenditures for social benefits also increased substantially. Numerous vocational groups demanded continual increases in wages and social benefits, and threatened to strike as well. There was born the impression that a rise in wages depends on the government and not on the effects of work. The desire for wage increases is a natural thing and does not create the risk of inflation and empty shelves in the shops, provided that it is backed by a rise in production and economic effects. The economic reform, therefore, is aimed at restoring the relationship between wage growth and production growth and therefore at rebuilding the market and the system of incentives.

[Question] What do these changes consist of?

[Answer] According to the targets of the economic reform, the increase in wages in 1982 will depend on improvement in the enterprises' operating effects measured in profit. The individual incomes of employees will consist of wages and a share of the profits. A Council of Ministers resolution on the principles of operation of state enterprises in 1982 gives enterprises the freedom to structure their payroll fund, and to set the level and structure of employment. Limits and prohibitions cease to be in force. So the higher production, productivity, costs, and profits are, the higher the employees' incomes will be.

[Question] But will the adoption of profit as the basis for determining employees' additional income really help increase labor productivity?

[Answer] It is worth remembering that three variants of the incentive system were considered. Two were based on the enterprise's income and one on profit. Each of these variants has certain virtues and defects. There is no ideal solution. The first proposals of the system based on profit presented to the Commission on the Economic Reform in July of 1981 gave rise to numerous doubts. I presented some of them in my article entitled "The Riddles of the Incentive System" (ZYCIE GOSPODARCZE No 43, 1981). The variant adopted in the Council of Ministers resolution differs substantially from the initial proposals. It takes into account many of the comments of the enterprises and specialists. In inculcating this system we must remember not only its virtues but also its defects, its dangers, so that we can eliminate them as soon as possible.

Profit can be increased using various methods. It is the intent of the reform that the enterprises expand their profit by increasing production and reducing direct costs, by improving productivity and effectiveness. In all the advanced countries, productivity is increased largely by rationalizing manufacturing costs. On the other hand, owing to simulated gross indices, counting the value of processing, and so on, we managed it so that 84 percent of all costs were material costs (materials, energy,

transportation, and so on), with 16 percent going for wages and insurance. Hence, to put it as simply as possible, the basic source for advancing productivity and real earnings is to be found in a reduction in material costs. Hence, the reduction of material costs means also the possibility of increasing the production of final goods and is particularly important under the conditions where there is a substantial shortage of materials and energy. The adoption of profit as a measure has the virtue of making it possible to have greater freedom to structure outlays. If the enterprise reduces its consumption of materials, it can increase wages or employment. Therefore the artificial division into the various funds disappears. It is important for the enterprise to achieve certain production, to reduce the consumption of materials, energy, and so on. And the new system will undoubtedly favor this.

[Question] Without a doubt, today the simplest thing is to push prices up. How can this be prevented?

[Answer] This is the main danger, and we must take care to see that it does not happen, but we need not condemn every rise in prices. If the production costs rise in a fundamental sense, for example, in the event there is a rise in the prices of raw materials and energy, or the quality is upgraded, then a price increase is understandable. Nobody denies the need for a reform of wholesale prices or the prices of many market goods which fail to meet production costs. There is only opposition to unjustified price increases, to enterprises' driving prices up merely in order to increase their income or to make up for waste and poor management by shifting the cost to the consumer.

[Question] Which we will be dealing with by and large?

[Answer] There are a couple of ways of combatting this. The Council of Ministers resolution is introducing new price control principles. If the enterprise's price increase does not fit the principles for setting prices, it will be forced to return to the consumer the amount of unjustified profit and also give the budget a like amount. Another element of protection is social supervision of prices and the action of the consumers federation, which should audit the producer to see why he raised the price without improving the durability and quality of the product. We can also introduce what is called standard cost accounting, which would dictate that such and such a quantity of materials of such and such quality is needed to turn out certain products. Then nobody could write down that he produced a product for 1,000 zlotys, since the accounting of the costs would show that it could not cost more than 800 zlotys. We can therefore say that price policy is a factor which determines the effectiveness of the reform and the possibilities of its achieving its goals.

[Question] Under the new principles progressive taxes on enterprises have been introduced. All sorts of monitoring, limiting, levelling, and similar factors depress motivation and incentives.

[Answer] The two issues which provoked the greatest discussion and doubt were the progressive taxation of profits and what is called a threshold tax on mean wage growth in enterprises. The first drafts of Council of Ministers resolution for 1982, in my opinion, projected excessive taxation. Under the influence of the discussion, the progressive tax was greatly relaxed. Mean wage increases of up to 3 percent are not subject to tax. In addition, there is no tax on wage increases resulting from central cost-of-living adjustments. If the enterprise reduces employment, then the resulting wage increase (up to a limit of 5 percent) is not taxed. Nor is there a tax on earnings resulting from a bonus out of profits for distribution if the amount is not more than 7 percent of the level earned in 1981. Briefly speaking, an enterprise which is well run can increase its joint earnings by at least 10 percent (plus cost-of-living adjustments) without paying any tax.

The further increase in wages is not limited by any administrative means, except that people have to work for it and it is subject to taxation. Taxation is essential owing to the need to avoid glaring wage imbalances between enterprises. A substantial proportion of the profits will remain in the enterprise. This should gradually build up the incentive system. But this also depends on many other factors and conditions.

[Question] On what sort of factors and conditions, to put it concretely?

[Answer] The Council of Ministers resolution creates general principles. The enterprises will operate under the conditions of a severe raw-materials barrier. In order for an incentive system based on profit to produce the expected results, the enterprises must translate these general principles into concrete terms which are understandable for every employee. The workforce must see what percentage of profit (after taxes) remains in the enterprise, what the principles for awarding bonuses will be, such as for thrifty use of materials and power, and so on. What follows from this system is a substantial extension of the enterprises' independence in the realm of wage policy. I think that the role of the center should be limited to defining the principles of wage policy, setting the minimum wage, establishing the permissible wage spread, setting basic principles for monitoring work, and the principles for work standards, and drafting and general wage tables, which must be consistently updated. On the other hand, the selection of the forms of remuneration, bonuses, awards, principles of promotion, distribution of profit, and other problems will fall within the jurisdiction of the enterprises. This creates the opportunity of improving the wage systems, but it calls for knowledge, a familiarity with the problems of wages and incentives, and the conducting of wage policy in the enterprise.

The new labor code in preparation will solve many problems. It concerns in particular the defining of guaranteed work, the role and place of joint work arrangements, and also the direct determination of the role and jurisdiction of the center and the enterprise in the new wage policy.

10790

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CRITICAL SITUATION IN POWER INDUSTRY ASSESSED

Warsaw TRYBUNA LUDU in Polish 22 Dec 81 p 4

[Statement by Prof Kazimierz Kopecki, chairman of the Committee on Energy Problems, PAN (Polish Academy of Sciences) Presidium; date and place not specified; statement recorded by Adam Hollanek]

[Text] The development of industries that devour energy, primarily the metallurgical and the cement industries, together with the remissness of the power industry, has led to the current power shortage. The situation is critical--in this way Prof Kazimierz Kopecki* opened his statement for TRYBUNA LUDU.

The power shortage is so great that next year, if we do not begin to deal with it in various ways, the production of fertilizers will drop another 15 percent, hampering farm operations. The wait for housing, already over 20 years, will be extended. Industry will not be able to produce the minimum amount of machinery and equipment needed domestically and for export, in order to obtain an adequate amount of raw materials and goods in exchange.

Coal, and Once Again, Coal

It is nearly impossible for us to end the power crisis quickly and radically. This will take from 6 to 8 years. However, immediate action is necessary to reduce difficulties and halt further decline. How much coal do we need? Here is a brief calculation. In 1979, with wasteful management of resources and of human potential, we mined 196 million tons of hard coal (if we deduct statistical falsification and rock--which is added in). Of this, approximately 40 million tons went for export and 156 million tons went for domestic use. This is how much we need domestically. We should not allow mining to decline further; this is in the vital interest of us all.

At least one mine should be built each year to replenish our exhausted reserves and we should see that miners have better working and living conditions.

Toward Nuclear Power

A second vital recommendation is that we should finally begin the development of the Polish nuclear power industry, an initiative postponed and wasted for years. The revival of enterprising ventures around this issue would enable us to bring implementation. We ought to begin building our first nuclear power plant, but the planned

*Prof Kazimierz Kopecki is a leading specialist on the power industry and the author of many works in this field. He is chairman of the Committee on Energy Problems, PAN Presidium.

construction time for this project is about 8 years--a long time. It takes less time to build a heating plant, about 5 years. This would mean a rapid increase in power for several large population concentrations. At the beginning we could aim toward building three such heating plants--for Warsaw, Gdansk and Krakow or Lodz.

A third issue of vital importance to the entire nation is ensuring an appropriate supply of hydrocarbons; e.g., in the form of the additional import of natural gas. We should join in the development of the East-West gas system. In this way we would obtain the valuable raw material for the various fields of the economy, as well as for the production of fertilizers for farming. Nor do I exclude our trying to get immediate deliveries of crude oil and crude oil products amounting to at least several million tons in exchange for the export of machinery and equipment. This would also be of great help to us.

In order to check the further decline of our energy potential, we need approximately 155 to 156 million tons of coal for our domestic needs alone. Nor can we manage without exporting about 20 million tons (instead of 40 million, as before), since then we would not receive the raw materials and goods indispensable for daily existence and maintaining production. In sum, it would be good if our miners were able to mine about 175 million tons of coal next year. But can we count on more than 162 to 165 million tons? For this reason, it would be good for us to seek immediate assistance and to consider what we could trade for speedy deliveries of additional power raw materials.

The Essential Aid of Science

Energy conservation would not enable us to save considerable amounts of energy quickly in industry and in the economy. On the other hand, the systematic conservation of energy and its strict management would enable us to save up to 20 percent in the course of several years. This is especially so in industry. Economical reserves are locked up in the rationalization and modernization of that part of energy-intensive industry--metallurgy, cement plants, large-panel building construction and chemistry--that still lends itself to such modernization. This is the operational sphere not only of economics itself but also of economics adequately assisted by science. I spoke of this not long ago at a meeting of section four of PAN.

We should also be able to expect assistance in the resolution of both energy problems and other problems from such industries as the power-construction industry, the chemical apparatus industry and the electrotechnical and electronics industries. It is a question of these fields' being capable not only of meeting the greater part of power needs but also of becoming a major element for satisfying the country's import needs through co-production in place of the limited export of coal and other raw materials and semi-finished products. This is certainly something attainable, something within the realm of possibility.

Thus we ought to wait for advice from science--and this is one of our most important tasks--on how to resolve the problem of the continued, necessary development of the acquisition of brown coal. Under our conditions, this is a considerable source of power and also of environmental pollution. How are we to cope with this threat to the environment, where should we locate new exposures to brown coal, how are we to create a suitable supply of mining equipment and what should this equipment be? These problems are linked with the issue of the skillful use of brown coal that is as economical and as environmentally safe as possible.

Within One Ministry

I chair advisory team 14 for matters of the fuel-energy complex of the Commission of Economic Reform. We postulated a concept of energy and fuel matters under the management of one ministry. This ministry would simultaneously direct the entire energy policy of the country. In this way, the sort of paradoxes that result from the lack of coordination would be eliminated.

The following example was presented at the December meeting of our team. In the mining of sulfur, valuable gas is burned in heating water. Meanwhile, there is a shortage of gas for an extremely pressing investment, that of nitrogen used for the production of fertilizers for agriculture in the region of Police. The water for the sulfur mine could be heated with the use of electrical power. This would free rich hydrocarbon raw material, more valuable than many others, for more important purposes. There are many such examples.

There is no miracle resource, nor are there miraculous anticrisis measures. We can only check the process while activating various fields of management that are more wisely selected and more wisely supported, as well as scientific endeavors.

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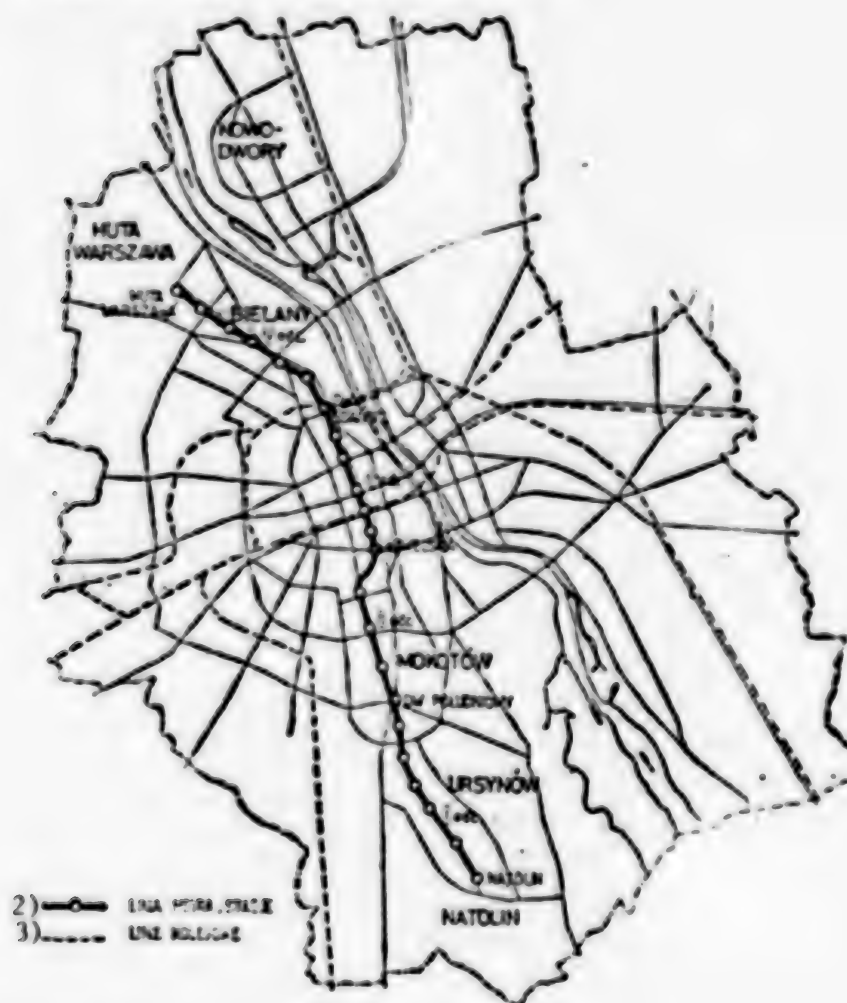
CSO: 2600/193

METRO OPERATIONS DATA REPORTED

Warsaw ZYCIE GOSPODARCZE in Polish No 3, 7 Feb 82 p 1

[Excerpt]

WARSZAWA - I LINIA METRA 1)



1. WARSZAW - FIRST METRO LINE
2. Metro Line and Stations
3. Railroad Lines

BASIC TECHNICAL AND OPERATIONAL PARAMETERS OF THE FIRST METRO LINE

- Total Length of Line: 23.1 kilometers
- Number of Stations: 23
- Distance Between Stations: Maximum 1,310 meters; Minimum 611 meters
- Maximum Frequency of Trains Running: 90 seconds
- Length of Trains: Six Cars
- Passenger Carrying Capacity: (in one direction): 38,400 per hour
- Sector I of Metro Line from Natolin Station to Pulawska Station: 7.5 kilometers distance and 7 stations
- Sector II of Metro Line from Pulawska Station to Wawelska Station: 4.4 kilometers distance and 4 stations
- Sector III of Metro Line from Wawelska Station to Dworzec Gdanski Station: 4.8 kilometers distance and 6 stations
- Sector IV of Metro Line from Dworzec Gdanski Station to Huta "Warszawa" Station: 6.3 kilometers distance and 6 stations
- Travel time from Natolin to Dworzec Poludniowy will take 11 minutes, to Wawel 18 minutes, to Dworzec Gdanski 26 minutes, and to Huta "Warszawa" 36 minutes.

CSO: 2600/322-P

ECONOMIC ADVANTAGES OF TOURIST INDUSTRY RECOGNIZED

Bucharest REVISTA ECONOMICA in Romanian No 1, 8 Jan 82 pp 13-14

[Article by Dr Clement Gavrilescu: "The Economic Efficiency of Developing International Tourism"]

[Text] Today, when there is urgency in the problem of balancing foreign payments and reducing foreign loans, our international tourism, which has benefitted from significant investments and has a natural potential of a rare beauty and variety, must play a much more active role among the other sources for balancing payments. We have a valuable indigenous "raw material" that can be better used by rethinking our entire development policy for international tourism in the meaning of the directives issued by the secretary general of the party, comrade Nicolae Ceausescu, for obtaining a much greater volume of income and increasing tourist services.

Certainly, considerable progress has been made compared to the past, as we will point out succinctly in this article. The problem, however, that arises today is where we are, as a result of the progress that has been made, in relationship to other countries and what paths are suggested for us by international practices and our own experiences in order to make Romanian tourism better known and better appreciated.

Romanian tourism has recorded incontestable progress, especially in the last 15 years. The number of foreign tourists that have arrived in Romania has increased from 576,000 in 1965 to over 6.7 million in 1980, or nearly 10 times over, in comparison to worldwide tourism where the growth over the same period was 2.4 times over, from 115.5 million to 285 million tourists. This led to an increase in our country's portion of world tourism from .58 percent in 1965 to 2.36 percent in 1980. Hard currency receipts in 1980 were 15.5 times greater than in 1965, with the percentage of our tourism in receipts from international tourism worldwide increasing from .2 percent in 1965 to .38 percent in 1980.

As of 31 December 1980, we had approximately 257,000 places for housing, with 128,000 in hotels, compared to 102,794 places in toto in 1965. We have a good housing capacity use rate (approximately 73 percent on the average for the entire country).

Although the results obtained by our international tourism are significant, it is nonetheless necessary to make certain remarks: the receipts from tourism represent only 3.2 to 3.4 percent of the value of exported goods at the 1980 level, which can

also be explained to a certain degree by the sustained rate of increases in the export of goods (1.1 billion dollars in 1965 and 12.2 billion in 1980, in other words a level 11.1 times greater).

The hard currency income from tourism, although still below the level of the great possibilities that Romania has, contributed in 1980 to reducing the deficit resulting from the trade of goods by over 40 percent, with its percentage in the balance of foreign payments nonetheless remaining modest.

In other words, there is the problem of substantially increasing receipts from international tourism, especially in hard currencies, a situation where there has been a relatively more modest increase in the number of tourists, but not as an absolute figure.

In 1980, 855,000 tourists from Western countries came to Romania, compared to 729,00 in 1975, in other words a small increase (201,000), while from the socialist countries 5,887,000 tourists arrived, compared to 3,736,000 in 1975 (676,000 in 1965). There are some Western countries, large sources for sending out tourists, from which we receive very few tourists, in some cases less than in 1965. We receive an extremely small number of tourists from Switzerland, Denmark, Norway, Belgium and Sweden, countries that account for between 1.6 and .6 percent of the total of Western tourists. The importance of promoting this segment of the tourist market is shown by the fact that in 1980 in the total amount of hard currency receipts from international tourism over three-fourths were obtained from tourists from non-socialist countries, although they accounted for less than 15 percent of the total number of tourists in 1980.

Another indicator that characterizes the state of the development of tourism is the "number of beds per 1,000 inhabitants," an indicator that is at the level of 1.1 beds per 1,000 inhabitants, compared to 5-7 beds per 1,000 in the countries having a developed tourism industry. Investments raise many problems and they deal with not only the number of rooms, but also their location, the quality of construction, transportation capacities, including river and ocean vessels (we have no ocean-going passenger liners; we rent from a number of countries) and investments for the material base necessary for the diversification of ways to enjoy free time and for modern treatment facilities (balneary, geriatric, Pell-Amar and other forms of treatment).

In this context, we should note the special efficiency of investments made in tourism, which in the 1976-1980 five year plan represented approximately 1.5 percent of the value of investments in industry, while the convertible hard currency earned from international tourism represented approximately 20 percent of that earned from the export of industrial products.

The seasonal nature of our international tourism continues to be pronounced, although it decreased slightly from this trend. Measures are needed regarding policies in investments, charges, sales, publicity and others. For example, here are the percentages for the arrival of tourists in our country, by quarters of the year, for 1980 and 1971:

	1971	1980
I	7.5	9.2
II	12.1	18.0
III	61.9	54.3
IV	12.2	18.3
	100	100

The percentage of the receipts taken in is still high for hard currency spent on room and board. The attraction of tourists must be accomplished by a flexible pricing policy complemented by a group of measures that will stimulate tourists to spend more hard currency during their stay in the country. The achievement of these measures does not depend solely upon the Ministry of Tourism, but it must promote them, arguing appropriately for them.

Economic and technical cooperation with other countries to achieve a complex variety of actions regarding tourism, including in the field of investments, is practically non-existent over the last 7 to 8 years, although, if well thought out, such actions could noticeably increase the hard currency contribution of tourism (In 1980, the "Interncontinental" Enterprise brought in an amount of hard currency, excluding foreign currency, representing nearly one-fifth of the hard currency income of the "Litoral" Central). There are many other suggestions and proposals that could be made, the essential fact being that we have the tourism potential necessary to achieve a certain much greater level of hard currency receipts, that the party and state leadership supports the development of tourism and that the current situation requires us to develop international tourism for the purpose of earning supplementary hard currency incomes, with this activity effectively having a high economic efficiency. And, here is the argument: in the majority of cases, international tourism is more efficient than the export of goods.

Expenditures for Food. The calculations systematically made over the past 26 years, since the creation of the National Tourism Office, show that if the foodstuffs used in serving tourists had been exported, we would have taken in four to five times less hard currency. Additionally, it is appropriate to mention that:

- touristic exports are not accompanied by the costs specific to the export of goods (additional costs in production, packaging, transport costs to the border or the riverine or maritime port and so forth);
- the hard currency is promptly earned, frequently prior to the arrival of the tourists because the companies organizing the tourists' trips abroad collect the costs of the services offered prior to the tourists' departures, and for their purchases made in country the export and the payment are made "on the spot." The increased speed of earning hard currency through tourism is currently not taken into consideration in calculating its economic efficiency;
- the products that are served at the dinner table do not always have to be of the quality required for exports. At the same time, we can also avoid the abuses in the qualitative acceptance abroad;
- in the export of fruits and vegetables, losses can exceed the permissible percentages for perishability, which sometimes reach 30 percent and more of the value of the goods being exported, which is not the case in tourism.

With regards to the food served to the tourists who make direct payments at restaurants, its value is shown within a unique commercial process of even under it. For example, a three-quarters of a liter bottle of wine, which costs over 30 lei, plus commission, in a category I or luxury restaurant, costs the tourist approximately \$3.50 at the

exchange rate in effect (\$1 = 11 lei), while the foreign price is several times lower. When the payment is made in the hard currencies of the socialist countries on the basis of non-commercial rates in effect and the coefficient of transforming these currencies spent into transferable rubles, we arrive at a result close to that expressed in dollars, with the note that the transferable rubles cannot be converted into foreign currencies.

Sales of goods in hard currencies, in the category of durable goods such as a pair of shoes, costs approximately \$30 at the exchange rate in effect for the dollar, a lower price than that of the retail prices for similar products in the Western countries, but several times better than the export price and with lower domestic costs than if it were exported. Returning to food, during the summer season the tourist that buys one kilogram of grapes at the known price of 5.60 lei/kg pays the equivalent of .51 dollars in hard currency, or \$510 per ton, while a ton of grapes of the same quality many times brings in less money if exported.

There is no need for too many demonstrations to see the clear fact that the export of consumer goods "on the spot" through tourism is much more efficient than the regular export of goods. This requires, however, a varied and attractive range of goods in order to stimulate the tourist to spend his hard currency, which he is much more likely to spend while on vacation than during the rest of the time.

Although most of the foreign trade enterprises currently have hard currency sales operations, in the area of international tourism there is still no enterprise that can legally set aside goods from the export plan to be sold in tourism units at retail prices. The difference between the export price and the retail price obtained in the tourist service units can serve as the basis for significant operations in bringing in hard currency.

A significant source of hard currency is the sale of imported and indigenous goods for hard currency, with the receipts earned by the "Comturist" Enterprise in hard currency constituting a significant percentage of the total receipts from international tourism.

The same goes for the diverse services which, although in the hard currency trade they have lower charges than in the Western countries, can become an important source of hard currency receipts, on the condition that these services be of quality and as varied as possible. Many of the services offered to the tourist, because of their nature, cannot be exported and as a result remain exclusively in the field of tourism. If, for example, along the Black Sea coast the public transportation system were equipped with modern vehicles that ran between the hotels along the coast, the charges were adequate and the schedules strictly adhered to, receipts could be had not only for the transportation, but because of the ease and comfort of the transportation the tourist would be stimulated to make other purchases. Telephones are another source, but there are few hotels along the seacoast that have telephones in the rooms. Also, the organization of certain cruises along the Romanian coast would be a normal service among such large numbers of foreign tourists, but these cruises do not exist. The variety itself of the services offered to the tourist who come to our country needs to be reviewed, much improved and systematized, since international experience points

out that these services must account for a major percentage of the receipts from tourism, with the specific investments in this area being much lower than those for rooms.

One can draw the conclusion from all this that bring economic efficiency to international tourism is a much more vast problem and the current methodology of bringing this about needs to be improved in the direction of:

- including all the incomes made in the hard currency receipts from tourism, independently of the organization responsible for the plan. (For example, currently, receipts are not included from international railroad passenger traffic or from air traffic because of narrow departmental interests);
- considering the speed of return on investments with regards to bringing in hard currency. The construction of a hotel takes approximately 1.5 years, more or less, and produces hard currency immediately after it goes into operation, while in industry the design and construction of the investment project takes 3-4 years and even more. The products from these projects, if they are machinery, are partially sold on credit over an average of 5 to 6 years, which means the recovery of the capital invested occurs much more slowly;
- considering the time value of money which is always taken into account in determining the profitability of investments and which, in tourism, would reflect a substantial economic advantage compared to other rates;
- recognizing that the profit margin on tourist services is below the level in effect, being lower than in the case of many exported goods, even though in tourism the calculation of the profit margin is not done on identical bases. If in the export of goods the marked price represents the complete export price of the goods to be sold, without transportation charges, in tourism we go by the public sale price - in other words a higher marked price on the one for export, which seems to show a less favorable profit margin than in reality for the tourism sales.

There are also other elements that should be included in a new methodology for correctly determining the economic efficiency of exported tourist services.

International tourism also gives rise to hard currency expenditures, but in differing from many other countries and in comparison with the majority of the goods exported the positive jump in receipts from tourism (receipts minus payments) or the net contribution to the balance of payments represents approximately three-fourths of the total receipts. Our international tourism is called upon to play a much greater role than it currently plays not only to help in the balance of payments, but also to create hard currency reserves. To this end, it seems opportune to draw up a 10 to 15 year program that will call for a much broader development of the entire material base of international tourism than that currently taken into consideration, including actions for international economic and technical cooperation. The creation of the most modern means to enjoy free time, the provision of an adequate supply of goods, the perfect organization of foreign and domestic transportation and the continuing improvement of the quality of tourist services should occupy an important place in future programs.

Also closely tied to this program is the commercial policy that should be flexible, having attractive prices for ground transportation and services, especially during non-peak seasons, together with foreign publicity that ought to receive much more substantial resources than those allocated currently.

Our country has everything that is needed to turn international tourism into one of the priority activities of our national economy.

In the context of the energy and raw materials crisis and the national economy's increased needs for hard currency, it is a patriotic duty to work rapidly and methodically to better use a potential that beckons us and the results obtained to date in our international tourism.

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SUGGESTIONS MADE FOR IMPROVING AGRICULTURAL RESEARCH

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[Article by Prof. Nicolae Giosan]

[Text] Romanian agriculture is experiencing a wide-ranging process of qualitative renewal, whose profundity derives from the new agricultural revolution. By its amplitude, this revolution is defined not only as a mechanical, biological or chemical revolution, but encompasses all the socioeconomic facets of this branch, equally involving the development and modernization of the productive forces, the sensible utilization of the land, of all the technical, material and human resources, the promotion of science and of high-standard techniques, and the advancement of people's skills, the upgrading of the organization of production and work, the improvement in the system of agricultural management and planning, the rise in the social efficiency of socialist democracy.

This program goal set by the 12th Party Congress emanates from the very substance of the multilaterally developed socialist construction, which involves, first of all, full satisfaction of the continuously growing material and spiritual needs of working people. Hence, there is the need for building a modern agriculture, characterized by high productivity and profitability, all the more so because agricultural production is not only a vital prerequisite for human life, but also represents, alongside the resources of raw materials, the irreplaceable basis for the expansion of industrial branches, for a vigorous and multilateral economic growth.

The transformation of our socialist agriculture into a major producer of farm foods and raw materials sets higher qualitative requirements for scientific research. The role of research is enhanced because of required solutions to the current problems posed by the growth and modernization of production and the materialization of the goals of the agricultural revolution. Nicolae Ceausescu, in his speech at the September 1981 work conference at the CC of the RCP with research and educational workers in agriculture, specified the determining role of agricultural science in creating the technical, technological, chemical and biological conditions that underlie modern agriculture. He stated: "One cannot speak of an agricultural revolution without agricultural science and this means that research must assume its responsibility and take action in this direction."

Romanian agricultural science, the carrier of prestigious traditions, priding itself with outstanding accomplishments of worldwide note, has high human and material potentialities, outcome of the sustained efforts of our party and state to enable scientific research to fully manifest itself as a major productive force in all the areas of the production of material assets. For instance, the network of agricultural research institutes and experimental research and production stations is based on a unified organizational concept, that ensures effective functionality to all scientific investigative departments, a close bond with agricultural practice and great mobility in approaching the experimental research topics and in disseminating on an overall scale the results obtained. Moreover, all research units conduct a dual research and production activity, and this permits performing the scientific test in close connection with the needs of practice, also ensuring the prompt incorporation of technical advances by the delivery of seed, nursery stock and breeding stock and homologation of the techniques required for the modernization of agricultural production. Furthermore, scientific research and application of the results in production are vigorously stimulated, because the entire research work develops under comprehensive, interdisciplinary and interinstitutional programs, ones that are based on modern principles, of team work, in large collectives, in the context of involvement of all institutes and experts, including teaching personnel, in compliance with the requirements of scientific investigation. The 26 research institutes and 120 research stations and centers of the Academy of Agricultural and Silvicultural Sciences are staffed with a large number of research workers and technicians and are provided with up-to-date technology, laboratory and apparatuses for scientific research. These research units employ more than 13,000 people, including more than 4,000 with college degrees, to whom are added over 1,000 teaching personnel from the higher education network. The scientific research units use more than 170,000 ha of farmland, including more than 140,000 ha of arable land, vineyards and orchards, about 100,000 ha of forests in experimental silvicultural units and also have a relatively developed zootechnological sector.

This scientific potential, concentrated in a unified organizational framework, is able to assert itself fully and highly efficiently because all the research work is based on the specific guidelines of our party policy. Based on the Directives of the 12th Party Congress, with the assistance of the National Council for Science and Technology and of the Ministry of Agriculture and the Food Industry, a program was worked out for the development of research and for introduction of technical advances in agriculture. By its objectives, this program of the Academy of Agricultural and Silvicultural Sciences focuses the efforts of all scientific research on achieving the new agricultural revolution, centering its concerns on formulating the approaches that ensure the maximal utilization of natural resources, climatic and soil conditions, material and financial resources, and work force, the growth of economic efficiency in agricultural production, in the food industry, management of waters and silviculture.

The wide-ranging and comprehensive investigative program tackled by scientific research is being successfully materialized. Research is maximizing its input into all the branches of agricultural production. For grain, industrial crops and fodder crops, strains and hybrids were evolved which are superior to those in cultivation. The wheat varieties "Fundulea 29" and "Lovrin 32" have a production potential of 7.5-8.5 tons/ha, with 13-14.5% protein and are noted for greater stability of crops. For corn, 18 hybrids were developed. They are characterized by a production

potential of 7 tons/ha, for early strains, and 14 tons/ha, for late strains. These hybrids are characterized by greater resistance to dropping, to diseases and to the variable environmental conditions. Emphasis was placed on diversifying the hybrids, for the purpose of complying with the diverse ecological conditions that exist in our agriculture. For instance, the research workers developed very early hybrids with a vegetation period under 100 days, which tolerate low temperatures and are meant for cultivation in the areas with very short vegetation periods in northern Moldova and Transylvania; other very early hybrids are destined for the second crop, after winter wheat and barley, in the irrigated areas; moreover, hybrids were evolved that are rich in lysine and tryptophan, and semilate hybrids, which are resistant to dropping and stem breaking. Outstanding sunflower hybrids include the newly homologated "Romsun 59" and "Florum 305," which have a production potential of 4-4.5 tons/ha and a level of 50-52% seed oil. Valuable also are the monogerm sugarbeet strains, that were developed and incorporated into production. They include "RPM 519" and "Stupini," which have a production potential of 65-75 tons of roots per hectare (8-11 tons sugar/ha) and permit a cut in manual crop thinning and maintenance. In addition to such results, progress has been made in research in vegetable, fruit and grape growing, pedology, and agrochemistry, in improving animal breeds, in upgrading the system of machinery, and so forth. Undoubtedly, all this has been instrumental in boosting agricultural output in the last 10 years and is reflected in a 25% increase for the five-year plan.

The achievements in research demonstrate the ability of our agricultural science to resolve the problems which are posed by the building of a modern, intensive and highly efficient agriculture. Precisely this ability prompts workers to conduct a qualitatively superior activity, as the human and material scientific potentials are capable of providing results on a par with world standards in all the areas of research, thus ensuring the effective use of the great resources of Romanian agriculture. To speak of the switch from quantitative accumulations to a new quality in agricultural production as well means, *inter alia*, the multilateral integration of research into the overall effort to expand agriculture, so that the good results, and some that even are exceptional, may be used on an overall scale and become a common asset in all agricultural units, for all agricultural workers.

Qualitative Guidelines in Research

Modern agriculture is inextricably tied in with and impacted by the technical and scientific revolution in biology, specifically in genetics, physiology and biochemistry. Precisely these considerations underlie our party leadership's concept on enhancing the role of research in modernizing and boosting agricultural production. In upgrading and expanding research in the fields of genetics, physiology and biochemistry, the aim is, besides to evolve new kinds of highly productive hybrids for all crops, to eliminate deficiencies that are found in some of the biological products so far. Practice has pinpointed that some strains are not adjusted enough to the natural climatic and soil conditions in various agricultural zones and, also, do not meet the new technical requirements in our agriculture. Other strains are not resistant enough to diseases and pests and are not resistant to dropping so that they may ensure a harvest without loss. Moreover, there are varieties that are not early enough so that may reach full maturity in cool years.

Every condition has been provided so that under this five-year plan the strains and hybrids developed or improved may have traits such as great capacity of absorption

of mineral substances, natural resistance to diseases and pests, so that they may ensure crop safety and stability and great adaptability to the variety of pedoclimatic conditions in this country. The aim is, simultaneously with developing these properties, to enhance the biological production potential, evolving strains of wheat with 8-11 tons/ha, hybrids of corn with 10-15 tons/ha, hybrids of sunflower with 4.5-5 tons/ha and an oil level of 52-54%.

In vegetable, fruit and grape growing and in other areas, research focuses on evolving varieties and hybrids with a great production potential, with a higher level of nutritive substances (protein, vitamins, salts) which are qualitatively superior.

Research in animal raising centers on the use of modern methods for developing new lines, types and hybrids of animals, that provide superior and efficient outputs in the context of intensive farming.

Highly-efficient agriculture involves not only strains and hybrids with a high biological potential but also production techniques that ensure maximal utilization of the production conditions. Therefore, research, in addition to upgrading current techniques, also focuses on developing new techniques which will encompass, on an integrated basis, all the required factors, beginning with soil works, zoning of strains and hybrids, fertilization with organic and mineral fertilizers, optimal plant density, maintenance, harvesting, and production storage operations.

Nicolae Ceausescu emphasizes the need for constantly campaigning for the promotion of new developments, for resolving the current problems of boosting agricultural output and also continuously urges research workers to have in mind the projections. Consequently, special programs were worked out, which anticipate studies designed to result, in the future, in the development of strains and hybrids with a per hectare production potential of 20-25 tons of corn, 10-12 tons of wheat, 6-8 tons of sunflower, and so forth. In the first place this involves developing new kinds of plants which differ from the existing ones and are characterized by an ample and deep radicular system, are small-sized in order to permit high density, have dark-green vertical leaves with a greatly increased photosynthetic capacity, and have a far ampler fruition. Of course, these types of plants require new farming techniques, based on greater chemicalization and mechanization and on irrigation. These studies also include research into increasing the contents of useful substances: oil, sugar, starch, fibers, and the like, and especially, plant protein. The investigations focus not only on raising the protein level but also on enriching the plant proteins with essential amino acids (lysine and tryptophan), so that they may have a utilization rate and nutritional value close to that of animal proteins.

By their goal the special research programs are highly important in the national effort to build a modern agriculture, characterized by high productivity and profitability. They are conceived in such a manner that, based on the joint interinstitutional and interdisciplinary efforts, problems of high economic significance may be resolved, and also basic research may be amplified, research that may open up new prospects, may provide new investigative methods for all research in agriculture, the food industry and silviculture.

Proceeding from the fact that the current investigative methods are limited, that they do not permit special advances in crop and animal breed improvement, and also from the guidelines existing in the developed countries, special emphasis is placed

on genetic engineering or bioengineering. The objective of these studies involves developing completely new organisms, capable of exceeding by far the current levels in terms of production potential. The studies focus on evolving special forms, in the first place for grain and industrial crops, but also for other groups of plants, which can fix atmospheric nitrogen by symbiosis with microorganisms characterized by great fixation ability or by direct assimilation of nitrogen by the plants' own cells. For the purpose of obtaining a high productive potential for animals, new methods and procedures will be used for genetic transformation of biochemical and immunological traits connected with reproduction, for influencing the sex, for transfer of genes among species and within the species so as to develop animal organisms with special traits by grafting some biological properties with genetic resistance to the aggressive factors in the context of intensive farming, by correcting inborn metabolic errors, and so on. Under this program, outstanding are microbiological studies because of the role of microorganisms in increasing production and raising the energy conversion rates.

A special program focuses on boosting the output and utilization of the biomass. The guidelines center on improvement of some forest plants and species for the purpose of producing a maximal amount of biomass per unit area, the formulation of new procedures for the conversion of the biomass into agricultural foodstuffs and into fuel. If for a start this program is limited to devising approaches to obtaining proper sources of fuel, it seems useful to conceive it in a broader context, aiming at developing methods, procedures and techniques that may result in the rapid rise in all the biomass, in both agriculture and silviculture.

The utilization of unconventional energy sources in agriculture is a primary concern of research. This is the goal of research into the production and use of biogas in the productive activity of agricultural units, the use of eolian energy for water pumping in animal raising farms, hay drying, production of electric energy and other areas, utilization of solar energy in the drying of grain and other farming products, and in animal raising farms, the use of the heat of geothermal waters in growing hot-house vegetables, and so forth.

Results Fully Used in Production

The results in production represent the essential criterion by means of which one can assess research work, the manner in which research exercises its role in promoting the new, in ensuring high yields in agriculture. With good reason, Nicolae Ceausescu stated: "It is evident that, in assessing research, we must proceed not only from what we have obtained on an experimental basis, from what has been obtained in special farms or experimental fields, but from large-scale production, from the average production which we are obtaining in all counties, on a countrywide scale. Every strain of new plants, every new technique must mandatorily generate a corresponding rise in agricultural production on a countrywide scale. Only to the extent that we achieve this we can state that the results of research are good."

This points to a major truth which, unfortunately, often has been ignored, a fact which actually accounts for a number of deficiencies of research in agriculture, which reduce the impact of research in agricultural production. This explains why in research to evolve new strains the investigative cycle still takes a long time, and the testing period for homologation is long, a fact that lowers their efficiency. Frequently, in agricultural research workers neglected some modern investigative

methods that permit to obtain results in a short period of time and which ensure prompt and efficient finalization in production. Significant in this respect is the slow rate in applying the achievements of genetics, physiology and biochemistry in the activity of evolving new plant strains and animal breeds.

Moreover, although a number of good results were obtained in developing some strains and hybrids, large-scale production profited insufficiently from the researchers' assistance because of an erroneous concept that appeared in research according to which activity winds up once the strains and techniques are approved. Hence, from the amount of knowledge accumulated on the basis of a long research work, only a small part has been applied in production, with the number of agricultural units that satisfactorily use the recommendations of research being fairly small. This largely explains why some agricultural units have year by year been obtaining poor results even though the pedoclimatic conditions are similar and the conditions for use of the techniques are identical. Some calculations indicate that correct application of scientific approaches in production could result in the agricultural units' significantly boosting agricultural output. Erroneous is the opinion of some experts according to which allegedly there is a "crisis" of agrophytotechnical knowledge, that allegedly we do not have adequate knowledge or material resources to exceed the current production level. The truth is that only a part of the amount of knowledge accumulated is being applied in production and the number of agricultural units that satisfactorily use the recommendations of research still is fairly small.

One of the chief causes that generated this state of affairs involves inadequate cooperation among research workers and specialists in the activity of using the results of research on an overall scale in production. However, we know that full utilization of the results of research by their overall use in agricultural practice is a sine qua non for building a highly productive and profitable modern agriculture. This produces the need for flawless operation of the mechanism of transfer of technology and knowledge in production, an imperative that makes itself felt the more so because in this field a number of deficiencies are still found. Consequently, in a fairly large number of agricultural units many of the essential links of the techniques formulated by research, such as: crop rotation, performance of basic operations, fertilization, combating of pests and diseases, weed fighting, do not develop adequately. Of course, contributing to this is also the fact that research personnel and workers in higher education alike were not sufficiently involved in the system of transmission and participation in the application in production of the biological products and the techniques worked out. But, also, we cannot overlook the fact that in each agricultural unit there are at least five experts, a number which is sufficient to ensure the application of the techniques recommended by research. Because the duty of every expert in production involves organizing the production processes on the basis of modern technology, concurrently with systematically monitoring the way in which this technology is used in light of the specific production conditions.

As pointed out by Nicolae Ceausescu in his speech at the September 1981 work conference held at the CC of the RCP, the research workers, the staff in higher education and the experts in agricultural units must continuously campaign for the use on an overall scale of modern techniques in large-scale production, by organizing demonstration plots on big areas in state agricultural enterprises and agricultural cooperatives. By effectively participating in the entire activity of boosting

agricultural production the research workers and educational personnel can survey the manner in which these techniques are followed and are adapted to the specific conditions of production. Moreover, the units that strictly applied the recommendations contained in the technologies formulated obtained productions which were close to or even greater than those in the research stations, in this way refuting the concept displayed by some experts according to which high outputs can only be obtained on an experimental basis.

The provision of agriculture with quality seed and nursery stock from the most valuable varieties is an outstanding task which directly impacts production in the Romanian fields and which actually involves the materialization and a form of better utilization of research. In this area there are some positive results. For instance, the entire area under corn, sunflower, sugar beet and other crops, and also more than 70% of the area under wheat uses strains and hybrids evolved in research units. Furthermore, farming techniques were determined, which are differentiated according to the various varieties and pedoclimatic zones. Nevertheless, in the system of production and utilization of seeds and nursery stock no emphasis was placed on regenerating the biological material on the mandatory periodical basis and this has resulted in using for production seeds from multiplications IV-V, which were degenerated and strongly impurified. For some crops that are of major importance to the economy, such as barley for beer, hemp, flax for fiber and linseed flax, fodder crops, some vegetables, fruit and grape growing, not every year all the required amount of biological material was provided to the production units. Hence, there is the need for organizing a unified system for the production of quality seeds, concurrently with systematically upgrading, for all crops, the techniques for the production of seeds and nursery stock.

Proceeding from these concepts, I believe that it is useful to organize between research and agricultural practice an effective framework through which scientific approaches and recommendations are endorsed and promptly transferred to the agricultural production units. The experience gained in our agriculture proves that full finalization in production of the results of research can only be the outcome of the efforts of all experts, whether they work in the research institute, experimental station, state administration or the production unit. No matter what the level of work or the sector of activity may be, every expert has the professional duty to strive permanently so that the results in production may be brought to the level of those that are obtained in research. In this context also is the upgrading of the proficiency of experts in central and county agricultural bodies, whose tasks include transfer of scientific recommendations to production. This requirement is the more imperative because, nowadays, as a result of scientific activity, there is an increase in the area of upgrading the production techniques by the development of new methods and approaches, new strains and hybrids are evolved, and agricultural technique is being modernized and diversified. Acquaintance with these achievements on the basis of a constant tie with research provides the favorable context which enables experts in agricultural units to substantiate the decisions which are taken to upgrade the production processes. This is all the more imperative because there were cases when there were undertaken some projects that had not been recommended by science or were even combated by it precisely because of improper cooperation.

While actual participation of all experts in the use on an overall scale, in production, of the results of research is an indisputable requirement, the organization

of this activity, at its various hierarchical echelons and also the specification of the duties assigned to each factor in the relation research-education-production are decisive for the creation of the framework that permits the efficient use on an overall scale of the scientific approaches and recommendations. Hence, there is the need for a unified system for the utilization of technical advances, whose directions may be: annual determination of the varieties and hybrids for each species, differentiated according to the farming zones; production of seed and nursery stock in the amounts required on a countrywide scale, similarly ensuring in animal husbandry the production of the breeding stock and breeders in research institutes and stations; determination of the techniques for each individual crop, differentiated for the various strains and hybrids, based on the results obtained in research and by foremost agricultural units; specification of the techniques for sensible cultivation of irrigated areas, of the areas characterized by excessive moisture or eroded areas, of acid soils, of sandy soils and salty soils; determination, on a differential basis, according to the various zones, of the techniques for complex upgrading of grazing lands and meadows, for improving and zoning animal breeds according to pedoclimatic zones and upgrading the structure of the fodder base, and so forth.

Personality of Research

A gained asset is the coordination of all the activity of research in agriculture on the basis of a unified plan within the framework of the Academy of Agricultural and Silvicultural Sciences, in conformance with the instructions given by Nicolae Ceausescu. Likewise, increasingly better results are being obtained from the use of the contract system in scientific activity. The proper utilization of these conditions is a major factor in enhancing the role of research in agricultural progress.

The research stations are able to fully complete the assignments for which they were created in the context in which all the subject matter of scientific investigation is worked out in light of the needs of the area of activity and the requirements of the overall agriculture. This situation is necessitated by the complexity of agriculture, which requires the full utilization of the research potential in the agricultural zones where the experimental stations are directly conducting their work, thereby helping to elucidate problems of countrywide importance. However, this should not affect the resolving of the specific problems of the zone, which by their character, actually, also reflect countrywide importance. That is why it is useful to very discriminatingly determine the programs that involve the overall agriculture so that each research station may have its individuality in light of the specific conditions of the zone in which it operates. This will considerably enhance the effectiveness of research, tying it in with practice, with the interests of expanding agricultural production on a macro- and micro-economic scale.

The researchers' ability decisively impacts on the efficiency of research. Therefore, in this field, perhaps more than in other fields, the level of training is a vital issue of investigative progress. Because the formation of a researcher takes about 10 years, it is good to conduct the selection of scientific workers on the basis of objective and strictly followed criteria. The best graduates, who, as early as in their student days, proved aptitudes for research and inclinations for study, must be assigned to research. It seems that necessary are prior practical training of the would-be researchers in the first 2 years after graduation from college and, once they have become researchers, constant maintenance of the tie with production.

This can ensure the absorption of the specific elements of the basic trade and a direct contact of the prospective researcher with the realities of the sector of activity. The selection based on strict examination for researchers is the best method for recruiting the personnel needed for scientific activity. Consequently, the professional training of researchers and of all workers is destined to ensure the enhancement of the spirit of responsibility, the promotion of devotion and full dedication for the progress of our agriculture. That is why, in my view, it is good for the main concern in the future to be not so much the rise in the number but, especially, the enhancement of the training level of research workers.

The advancement of personnel and the encouragement of those who display special qualities and prove devotion and dedication to research must be given much attention by the leading bodies of research units. In my judgement, very useful is the utilization on a wider scale of scientific discussions in the context of research collectives and scientific councils. Although cooperation with kindred institutes in other countries has developed in recent years and the number of researchers who are taking trips for specialized training and documentation abroad is fairly great, their efficiency is still low.

Of outstanding importance for the qualitative enhancement of scientific activity is the upgrading of the system of planning the amount of time by formulating unified standards of activity for both researchers and teaching staff, specifying a sensible ratio between the time destined for research proper and the time destined for the application in production of the results of research. This must be correlated with the modernization of work methods -- eliminating empirical methods -- methods that expedite the obtaining of results and the resolution of highly complex problems.

The transition of Romanian agriculture to a new quality involves the full utilization of the human potential -- of machine operators and cooperative members, of experts in production, in scientific research and agricultural education -- in radically improving the activity, for the obtaining of an agricultural output on a par with the major tasks allotted agriculture under this five-year plan. By concerted and sustained efforts, by a militant activity for the promotion of the new, research can help effectively so that each agricultural unit may take a great leap toward the high levels of the new quality.

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OPERATION OF AGRICULTURAL BONUS SYSTEM DESCRIBED

Bucharest REVISTA ECONOMICA in Romanian No 1, 8 Jan 82 pp 11-12

[Article by Dr Maria Stroe: "Improvements in Contract and Acquisition Prices and the System of Production Bonuses - Material Incentive Factors in Agriculture"]

[Text] The fulfillment of the program regarding nationwide self-management and self-supply in supplying the populace with agricultural, animal and vegetal products, as elaborated at the initiative of and under the direct guidance of the RCP secretary general, comrade Nicolae Ceausescu, constitutes a basic objective of the agrarian revolution in Romania.

Providing a new, stimulating framework in order to place agricultural production on the principles of economic self-administration and self-financing in socialist agricultural units and having a better management of resources currently existing on the people's farms represent constant concerns of our party's and state's agrarian policy.

By continuing the actions organized throughout the entire economy in 1981 of correlating and updating prices in all areas of material production and of basing these prices on economic principles, the Decision of the Political Executive Committee of the RCP Central Committee, of 15 December 1981, regarding the implementation of new measures to stimulate the agricultural producers who deliver grains, technical plants, potatoes, vegetables, fruits and grapes to the state fund and the fodder and seed-stock funds, as well as the recent normative acts - the Decree of the Council of State Regarding Contracts for and Acquisitions of Vegetal Agricultural Products and the Decree of the Council of State Regarding Contracts for and Acquisitions of Animals, Poultry and Animal Products, are balancing the relationship between the contract and acquisition costs and prices for the main agricultural products, introducing a judiciously conceived incentive for all agricultural producers. These measures are designed to strengthen the role of the price system in carrying out the party's agrarian policy and to mobilize all agricultural units to firmly implement the new economic-financial mechanism and the principles of self-management and self-administration.

The increases in recent years of the prices for the main raw materials, materials and products used in the processes of agricultural production, while the prices for contracting and delivering vegetal and animal agricultural products had remained nearly unchanged over the past decade, negatively influenced the profit levels of the agricultural units, creating an imbalance between production costs and the incomes obtained.

For the purpose of eliminating these imbalances and providing an appropriate profit level for all agricultural products, as well as a more complete incentive for all the categories of agricultural producers, the group of measures decided upon by the Political Executive Committee and approved as law by the Grand National Assembly established that, in addition to base prices, for vegetal and animal agricultural products there will be production bonuses granted in a differentiated and progressive manner according to the type of product and the quantity of products per hectare or number of animals delivered to the state (in reference to vegetal production, see Table No 1).

Table No 1

Average Bonuses per Unit of Product

Agricultural Crop	Contract Price (lei/ton)	Average Bonus (lei/ton)	Percent Increase Over Contract Price
Rye	1,500	300	20
Barley-Dual Row Barley	1,300	300	23
Corn	1,270	530	42
Beans	6,200	1,000	16
Soybean	3,250	450	14
Sunflowers	2,680	720	27
Flax for linseed oil	6,000	1,000	17
Flax for fibers	1,900	500	26
Hemp	1,250	450	36
Sugarbeets	345	205	59
Early potatoes	1,367	200	15
Fall potatoes	900	120	13
Field vegetables	1,360	400	32
Grapes	3,480	500	14
Rice	5,000	1,000	20
Medicinal plants	3,500	1,500	43
Tobacco	17,300	700	4
Castor oil plants	5,500	1,500	27
Fruit	4,800	300	6

Ensuring an appropriate balance for prices by periodically updating them will constitute a decisive factor for the proper carrying out of economic activities in all sectors of agricultural production. At the same time, this action designed to strongly stimulate agricultural production corresponds to the basic principle of our national economy regarding correlating and setting prices in relationship to the changes that are taking place in the production process, in material and labor costs and in world prices, as well as in accordance with the growth of the people's incomes.

The implementation, for the first time in our country, of a system of bonuses that are differentiated according to the quantities of products delivered from each unit of

land to the state fund and the fodder and seed-stock funds - bonuses paid to agricultural producers for agricultural products, in addition to the base prices - must bring about an increased effort on the part of the agricultural units, the coordinating organs and the units responsible for the plan to achieve a qualitatively superior planning activity based upon a full understanding of reality. The production plan will have to respond to a greater degree to the needs of the national economy, creating the premises for a better use of natural, material, financial and human resources available to each unit and each administrative-territorial region.

The full achievement of the annual production plan is the essential condition under which the socialist agricultural units and the people's farms will collect, during the 1981-1982 agricultural year, supplementary incomes worth approximately 14 billion lei, an amount that will fully cover material costs while at the same time permitting the producers to obtain a supplementary income of approximately 7 billion lei. The fulfillment of this objective will have profound implications in the implementation of the new economic-financial mechanism in the socialist agricultural units, contributing especially to an increase in net production.

The collection of supplementary incomes requires the agricultural producers to carry out a better, more efficient effort. This conclusion stems from the mechanism of implementing the system of bonuses, on the basis of which the specialists and all interested agricultural producers can calculate their supplementary incomes for each type of crop, establishing a just relationship between the maximum amount of production (technically) and the economic optimum. The economic calculation of the "effort-effect" relationship keeps in mind the establishment of the costs for the optimum allocation of production factors in relationship to the basic and supplementary incomes that can be earned by delivering certain increased amounts of agricultural products to the state fund so that all economic activity will be carried out in a permanent financial balance and will permit the self-financing of socialist agricultural units.

Taking corn as an example, in the variations that have been calculated we can see the operation of the stimulative factor of the bonuses that will be given (see Table No 2). Thus, the influence of the bonuses established for corn upon the incomes of the agricultural producers is 42 percent, compared to the incomes earned under the same conditions (land area, average production per hectare and the amount delivered to the state fund and the fodder and seed-stock funds) in 1981.

Corresponding to the efforts made to achieve an amplification of the three factors at the highest possible percentage, which will influence the amount of supplementary income obtained as a result of collecting bonuses, the units will earn significant amounts of supplementary income.

A decisive role is played by increasing the production of fodder and seed-stock delivered to the state fund. In the final analysis, this factor determines the level of income. For its part, it is influenced by the intensive factor (average production) and the extensive factor (the land area cultivated). The variants presented as examples in Table No 2 show the following:

Table No 2

Opportunities for Increasing Supplementary Income for Corn Crops in 1982

Variante (1)	Suprafata cultivată (ha) (2)	Producția medie (kg/ha) (3)	Preț de contractare (lei/t) (4)	Producție livrată la fondul de stat (t) (5)	Prima (lei/t) (6)	(7) Venituri		Venituri realizate suplimentar în anul 1982 (mil lei) (10)
						1981 (mil lei) (8)	1982 (mil lei) (9)	
V ₁	500	4 000	1 270	1 500	530	1 905	2 700	795
V ₂	500	4 000	1 270	1 950	530	2 476	3 310	1 034
V ₃	500	4 500	1 270	2 150	530	2 730	3 870	1 140
V ₄	600	5 000	1 270	2 400	530	3 048	4 320	1 272
V ₅	600	5 500	1 270	3 180	530	4 038	5 724	1 686
V ₆	600	7 000	1 270	3 900	530	4 953	7 020	2 067
V ₇	710	5 680	1 270	4 033	530	5 122	7 259	2 137

Key:

- | | |
|---|---|
| 1. Variant | 6. Bonus (lei/t) |
| 2. Land area cultivated (ha) | 7. Incomes |
| 3. Average production (kg/ha) | 8. 1981 (thousands of lei) |
| 4. Contract price (lei/t) | 9. 1982 (thousands of lei) |
| 5. Production delivered to the state fund (t) | 10. Supplementary incomes earned in 1982 (thousands of lei) |

- a 30 percent increase in production delivered to the state fund, under conditions of maintaining a constant level of surface area and average production, brings about an increase in supplementary incomes in the same proportion (V2 compared to V1);

- in the case where the production delivered to the state fund increased by 12 percent, the land area increased by 20 percent and the average production by only 11 percent, the supplementary income increased by 12 percent (V4 compared to V3);

- if the production delivered to the state fund increases by 63 percent, principally on the basis of increasing the average production per hectare (an increase of 40 percent) while the land area cultivated remains unchanged, the supplementary incomes increase by 63 percent (V6 compared to V4);

- a 42 percent increase in the average production and the land area cultivated will permit an overfulfillment of the amount production delivered to the state fund by 169 percent, which means a corresponding increase in the supplementary income (by 169 percent) for the agricultural unit (V7 compared to V1).

The above examples demonstrate the operation of the mechanism of applying the new system of bonuses, which combines harmoniously the general interests of the national economy, including those of agriculture, with those of the agricultural producers. Thus, it has been demonstrated that fully providing the state fund and the fodder

and seed-stock fund represents one of the basic requirements for the more rapid development of animal production and especially industrial-type zootechnical production, whose technological systems are based upon the intensive feeding of the animals and upon whose implementation the achievement and overfulfillment of the planned production for meat, milk, wool and eggs depend to the greatest degree.

The search for and the implementation of solutions to obtain certain increased levels of production of grains, technical plants, potatoes, vegetables and fruits and their delivery to the state fund must be expressed from the placement of the crops on the soil and the provision of seeds, the supply of fertilizers and the application of advanced agro-techniques up to the delivery of the products and the honoring of the contracts to the state fund.

Along this line, it is especially important for us to point out the fact that the overall group of laws and decisions approved recently, which contain the 1982 agricultural development plan, the programs for self-management and territorial self-supply for this year and the current five year plan, and the new organization of the activities of the agricultural mechanization stations, as well as the measures to stimulate agricultural producers, decisively contributes to the setting of agricultural production on economic principles in all its production units and sectors. Thus, a framework is created to ensure an appropriate balance between the efforts of the units and all agricultural producers and the incomes that they can make as a result of delivering even greater amounts of agricultural products to the state fund.

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POLICY FOR ACHIEVING 1981-1985 SOCIAL PLAN IN 1982

Belgrade SLUZHBI LIST SFRJ in Serbo-Croatian No 72, 31 Dec 81 pp 1870-1882

[Resolution of the SFRY Assembly, Act of the Assembly No 465, adopted in Belgrade 29 December 1981, and signed by Dragoslav Markovic, president of the SFRY Assembly, and Zoran Polic, president of the Chamber of Republics and Provinces]

[Text] 1. In the context of the goals and tasks set forth in the Social Plan of Yugoslavia From 1981 to 1985, and especially of the pronounced problems in overall social reproduction and the trends being carried over into 1982, particularly with respect to foreign economic relations, adjustment of relations in social reproduction and price movements, evaluation of the conditions and possibilities for development in 1982 and an assessment of the economic situation in the world, the tasks which are crucial to implementing the policy of socioeconomic development in 1982 are more effective achievement of the policy of economic stabilization, substantial augmentation of exports of goods and services, above all to the convertible market, and improvement of the country's payments and exchange balances, and an essential reduction of the rate of inflation, which necessitates that economic policy as a whole must be governed by this aim and an appropriate change of direction accomplished with respect to the functioning and bolstering of the mechanisms of the system and performance of commitments, and improvement of economic efficiency and qualitative attributes of the conduct of economic and overall social activity. These tasks are to be performed by virtue of the following:

- 1) creation of conditions which will powerfully motivate a growth of production for export and will strengthen the economy's ability to export, will guarantee a dynamic growth of exports, especially to the convertible market, and will essentially reduce the deficit in the balance of payments and the level of the country's foreign indebtedness;
- 2) achievement of better adjusted commodity-money relations and alignment of all forms of expenditure with the available social product and income and with material capabilities;
- 3) an essential slowing down of the rate of inflation;
- 4) adjustment of the volume and composition of output and the rate of economic growth to the need for dynamic growth of exports, a strengthening of the economy's ability to export and optimum import substitution, as well as with the

opportunities afforded by imports on the basis of funds realized through exporting and the country's payments-balance capability;

5) more optimum use of the available productive potential, reduction of all costs, and, on that basis, a growth of income and a rise in the share of associated labor in its distribution in order to strengthen the material basis of associated labor, to augment the economy's ability to export and to overcome overall material difficulties;

6) the undertaking of measures to slow down the decline in the standard of living of the working people and citizens and, within that context, to halt the decline of real personal incomes of workers, above all workers in production and creative jobs in physical production. Steps shall also be taken in line with material capabilities to ensure social and material security, especially of workers with the lowest income per member of the household;

7) development of the socioeconomic relations of self-management and, within that framework, a strengthening of the role of associated labor in taking control of the flows of social reproduction.

More successful linkage of organizations of associated labor through income sharing and mastery of the flows of social reproduction, a strengthening of the economy's ability to export and achievement of the policy of economic stabilization are to be guaranteed by further development of the socioeconomic relations of socialist self-management, by consistent implementation of the laws embodying the system, by amendment and supplementation of certain laws embodying the system, by assurance of more effective functioning of the mechanisms of the economic system, and by the measures of economic policy.

Performance in 1982 of the tasks enumerated in Paragraph 1 of this point will require exceptional efforts by the entire social community and all socioeconomic factors to achieve the policy of economic stabilization more effectively by increasing production, through maximum economy in all areas of social reproduction and at all levels, by a growth of exports and a policy of importing only what is necessary; through better organization of work, by raising the productivity of labor and through more effective linkage among producers in the process of reproduction, the latter aim to be pursued by intensifying the establishment of communities of associated labor for mutual collaboration in planning and conduct of business. The costs of the superstructure of society are to be brought within the limits of the capabilities of physical production. The conduct of a selective credit-and-monetary policy aimed at stabilization should prevent creation of a demand that exceeds the supply, but should also facilitate the unhindered course of the processes of social reproduction. An essential slowing down of the growth of prices is to be ensured through consistent enforcement of the price system and social price control and through vigorous activities. The distribution of the social product should strengthen the material basis of associated labor, should protect the integrity of the resources of society and should guarantee their expanded reproduction. Investments must be brought into conformity with funds realistically available, and accumulations should be pooled through self-management arrangements and assigned to the more narrow lines of development which have been agreed on and set forth in the Social Plan of Yugoslavia From

1981 to 1985, above all to increasing production intended for export, especially to the convertible area, and intended for optimum substitution of imports. The manifestations of particularism, monopolism and other forms of disruption of the unity of the Yugoslav market and the processes of social reproduction should be corrected through the development of socioeconomic relations on the foundations of socialist self-management. A contribution should be made through self-management mechanisms and other measures to the gradual emergence from the economic difficulties and to a strengthening of the country's positions in international economic relations, and conditions should be created for further development of social relations and stable economic development and a rise in the standard of living of the working people and citizens in the period to come.

The activities of planning entities and the measures of economic policy shall guarantee achievement of the tasks of development of the economically underdeveloped republics at a faster rate than the average development of the entire country and fastest development of SAP [Socialist Autonomous Province] Kosovo, and the agreed special measures shall also be undertaken to achieve the fastest development of that province, continuation of the reconstruction and construction of the earthquake disaster area in Montenegro, further strengthening of the country's defensive capability and performance of other tasks set forth in the Social Plan of Yugoslavia From 1981 to 1985.

Organizations of associated labor and other self-managing organizations and communities and sociopolitical communities should in their planning documents for 1982 set forth specific commitments, tasks and measures which will ensure achievement of the joint goals and performance of the joint tasks set forth in this resolution. Resources have to be committed through self-managing arrangements, but also by legal enactment in exceptional cases, to reproduction in order to stimulate the faster development of the production of goods and services for export, and the pace has to be stepped up in completing capital investment projects which are in conformity with the main lines of development envisaged in the Social Plan of Yugoslavia From 1981 to 1985, within the framework of the narrowed priorities which are to be established, above all facilities for the production of electric power and coal, scarce raw materials and the basic agricultural products, which will be a contribution to augmentation of the inflow of foreign exchange and to optimum import substitution.

2. For the sake of more effective alignment of relations in social production and implementation of the policy of economic stabilization, certain economic measures will also be applied and certain instruments of the economic system amended; regulations on revaluation of fixed capital and computation of the depreciation will guarantee more realistic determination of the income of organizations of associated labor; certain provisions of the Law on Establishment and Distribution of Gross Income and Income are to be amended which allow gross income and income to be augmented unrealistically through bills of exchange and other securities; provisions of regulations on settlement which allow the formation of demand without real backing will be amended; loopholes will be closed which allow funds for government and social service expenditure to be built up through the turnover tax and contributions on an inflationary basis, and appropriate changes in the system will prevent the creation of surpluses and the draining off of income beyond the agreed policy; an examination is to be made of

the procedures whereby resources are multiplied through the banking mechanism in order to eliminate opportunities for unrealistic creation of credit potential and cash assets, and other measures envisaged by the resolution are to be undertaken. The aim will be for the income of organizations of associated labor to express as realistically as possible the conditions of their operation and their performance, and steps will be taken to diminish the influence of monopolistic factors in creation of income. The Order on Procedure for Adjustment of the Value of Inventories and the relevant provisions of the Law on Establishment and Distribution of Gross Income and Income will be reviewed in order to prevent declaration of unrealistic income and social product on the basis of an unrealistic value of inventories. An agreement among the republics and autonomous provinces is to set forth criteria for establishment and separate indication of that portion of income which is the result of work under exceptionally favorable natural conditions or which is the result of exceptional favorable opportunities in the realization of income and to commit that portion of income to development of the organization of associated labor in which it was realized or to the development of the material basis of associated labor in the opstina and republic or autonomous province, in conformity with a self-management accord and law.

Accomplishment of the change of direction toward effective conduct of the policy of economic stabilization and stimulation of intensification of the process of pooling labor and capital on the unified Yugoslav market necessitates a resolute and effective drive by the competent bodies of sociopolitical communities, organizations of associated labor and other self-managing organizations and communities in order to ensure enforcement of legality; the faster development of self-management in associated labor; enhancement of the conclusion of self-management accords and social compacts and consistent performance of commitments arising out of those accords and compacts; development of normal business relations on the basis of pooling labor and capital without stipulation that payments be made in foreign exchange and the placement of funds for development in time deposits; determined suppression and elimination of cases of autarky and the closing off of markets; elimination and prevention of cases where social ownership is threatened from the positions of group-ownership tendencies and intensified interventions by the agencies of sociopolitical communities in disposition of the resources of associated labor, especially in the domain of capital investment and foreign economic relations as well as on the market.

3. The most important tasks of economic policy in 1982 and a condition for invigoration of overall economic activity are enhancement of the competitiveness of organizations of associated labor on the international market and improvement of the country's position in international economic relations, which should be furthered by economic policy, especially in the domain of production and expenditure, prices, money and credit, and taxes and contributions. Exports of goods and services should realistically be augmented by about 8.4 percent, 12 percent to the convertible market, total exports and the outflow of foreign exchange should be brought into line with the available inflow of foreign exchange, the deficit in Yugoslavia's balance of payments should be reduced and in 1982 may not exceed \$500 million, and the level of the country's foreign indebtedness should be reduced.

The following measures and activities will be undertaken in order to achieve the projected growth of exports of goods and services:

1) by the middle of January 1982 full-fledged export programs will be adopted in organizations of associated labor, in communities for mutual planning and business collaboration, in general associations, in economic chambers, and in self-managing communities of interest of the republics and autonomous provinces for foreign economic relations--with respect to products and services, currency areas and individual countries which have a substantial share in Yugoslavia's foreign trade. Specific programs are to be drafted for the growth of exports to the countries of the convertible area with which the coverage of imports by exports is lowest. Economic policy measures shall promote the performance of those programs.

The export and import plans of organizations of associated labor and plans of foreign credit relations should be reconciled within and between self-managing communities of interest of the republics and autonomous provinces for foreign economic relations and the Yugoslav Community of Interest for Foreign Economic Relations, and they should be stimulated to establish broader relations in the process of reproduction on the unified Yugoslav market through the pooling of labor and capital for the sake of export transactions and the inflow of foreign exchange, which may not be thwarted by the payments-balance positions of the republics and autonomous provinces. Encouragement shall be given to the faster establishment of linkage based on income sharing of organizations of associated labor which are dependent on one another in the process of reproduction and to the conclusion of self-management accords on the pooling of labor and capital and on the joint realization and distribution of foreign exchange;

2) a vigorous policy of a single realistic rate of exchange of the dinar shall be conducted as one of the basic instruments for maintaining the economy's price competitiveness in its export efforts, for achievement of optimum imports and for adjustment of relations in the movement of domestic prices and prices on the foreign market;

3) funds will be furnished for the refunding of duties and import charges in accordance with the tasks set forth in this resolution and the limits set forth in the projection of Yugoslavia's balance of payments. The system of refunding duties and import charges will also be improved and amended by eliminating from the present system the linear rate and rights acquired unjustifiably; greater incentives should be afforded to the export of products in higher phases of manufacture and of services incorporating more domestic labor, domestic raw materials, and our own knowledge and technology. Measures and activities shall be undertaken toward conclusion of a self-management accord on the refunding of duties and import charges on the basis of uniform criteria within the framework of the Yugoslav Community of Interest for Foreign Economic Relations, and its enforcement commencing 1 January 1982 is to be ensured;

4) for the sake of enhancing the competitiveness of organizations of associated labor in their export efforts a more vigorous policy will be conducted of granting exporters exemptions and deductions of taxes and contributions on goods and services being exported, except for those taxes and contributions which are

directly related to preserving the standard of living of the working people and citizens, such as health and old-age insurance, etc. Such measures shall be used to motivate organizations of associated labor to operate on more than one shift and to increase production for export. These tasks are to be performed by the end of January 1982.

Activities to enforce the Law on Associated Labor shall encourage conclusion of self-management accords on the earning and distribution of the joint revenues and income realized on the foreign market so that conditions for earning income by exporting finished products and services on the foreign market affect equally all participants in the production of those products and performance of those services;

5) fifteen billion dinars will be furnished for the credit financing of exports of equipment, ships and capital investment projects abroad through the pooling of resources of interested organizations of associated labor, their commercial banks, a self-management accord among banks, borrowing abroad, the rediscount policy of the Yugoslav National Bank and other measures;

6) conditions shall be improved for the credit financing of the preparation of production and services, of the production of goods and rendering of services for export and of inventories of goods for export, special incentives to be established for exports to the developing countries;

7) support and encouragement shall be given to the long-range orientation of exports to particular markets and to development of new markets and special forms of foreign trade transactions shall be developed, such as the following: compensation deals, brokering, transactions involving the upgrading of goods, etc. It shall be made certain that in the conduct of these transactions payments-balance and exchange-balance positions are not allowed to be an obstacle to the development of such transactions if they promote and augment total exports. Regulations in that domain shall be reviewed and amended along those lines;

8) amendments and supplements to the Law on Long-Term Industrial Cooperation, Production and Technical Collaboration and the Acquisition and Granting of Rights to Technology Between Organizations of Associated Labor and Foreign Persons shall be adopted by the end of the first quarter 1982 for the sake of the long-range augmentation of Yugoslav exports;

9) specific measures shall be drafted to increase the inflow of foreign exchange from the export of technology and know-how, services, especially from tourism and transport and work on capital investment projects abroad. Programs for augmenting the inflow of foreign exchange from tourism, transport and work on investment projects should be adopted simultaneously with adoption of programs for the export of commodities. To that end the following efforts should be undertaken in 1982:

a) in the programs to augment the inflow of foreign exchange from tourism which will be adopted by economic chambers, general associations in the tourist industry, and the republics and autonomous provinces specific measures and mechanisms should be worked out for fuller utilization of available tourist capacities,

especially in the off season, for fuller utilization of capacity for winter tourism and capacities in spas and health resorts, and measures taken to augment spending for other items and food and lodging. Steps shall be taken to furnish funds for tourist advertising in the amount of at least 1 percent of the foreign exchange revenues realized from tourists in the past year, the granting of a price reduction in the sale of fuel to foreign tourists and exemption from taxes when goods are sold for foreign means of payment shall be continued, the operation of currency exchange offices shall be improved, and provision shall be made so that the inflow of foreign exchange from tourism goes as much as possible to the organizations of associated labor which brought it about. Programs shall be adopted to increase revenues from tourism. Foreign tourism shall be encouraged by all the incentives granted to encourage the export of goods;

b) with respect to international transportation, domestic carriers should attain a larger share of Yugoslav exports and imports as well as a larger share on the international transport market. Investment and credit policy should facilitate faster modernization and growth of capacity in international transportation, and the construction of rail, marine and river transportation equipment in domestic industry and shipbuilding should be ensured;

c) provision should be made for greater use of domestic equipment in work on capital investment projects abroad, and when complete facilities are being built, provision should be made to augment exports of domestic equipment, materials and technology. Special encouragement shall be given to accomplishment of large and complete projects which organizations of associated labor are carrying out abroad;

10) interest rate policy and credit policy, accompanied by appropriate support of primary note issue and other measures, shall encourage the inflow of remittances and foreign exchange savings of Yugoslavs employed abroad temporarily, especially the purchase of foreign exchange from the foreign exchange accounts of individuals, but also the export of books, magazines and other publications.

In 1982 goods will be imported within the limits of the ability to make payments from the inflow of foreign exchange earned by exporting goods and services, net remittances and the established deficit in Yugoslavia's balance of payments. Imports of raw materials and noncapital industrial goods may be increased beyond the agreed imports if exports are increased by at least the same amount, while the deficit in the balance of payments is not increased.

In the importation of raw materials and noncapital industrial goods self-management accords adopted in the framework of self-managing communities of interest for foreign economic relations of the republics and autonomous provinces shall make provision on the basis of physical balances for priority importation of those raw materials and noncapital industrial goods which have the largest impact on achievement of the envisaged growth rate of exports, especially to the convertible area, as well as production which guarantees supply of the unified Yugoslav market with consumer goods that have particular importance to the working people and citizens.

The review of tariff protection shall continue so that amendments and supplements to the customs tariff ensure optimum protection of domestic production in conformity with the agreed development policy and the optimum level of the burden of duty on the import of goods which are not manufactured in the country or are not manufactured in sufficient quantities.

Funds to import petroleum, petroleum products and coking coal shall be furnished in a manner which will eliminate disruptions in this sector.

The projections of the payments-balance positions of the republics and autonomous provinces shall ensure first of all the importation of energy raw materials; iron ore and raw materials for the production of steel; copper and aluminum metal; raw materials for the production of fertilizers and chemicals for plant pest and disease control; monomers; raw materials for the production of pharmaceutical products; rubber; raw materials for the textile industry and the leather and footwear industry and proteins for the production of livestock feed, which shall be regulated by self-management accords of self-managing communities of interest of the republics and autonomous provinces for foreign economic relations in the framework of the Yugoslav Community of Interest for Foreign Economic Relations. If those accords are not concluded by the end of January 1982, the Federal Executive Council shall no later than 15 February 1982 undertake the appropriate activities and measures to eliminate disturbances in these sectors. The projections of the payments-balance positions of the republics and autonomous provinces shall furnish the foreign exchange to import wheat, edible oil in conformity with budgeted needs, drugs, the most necessary specific medical supplies, and certain vital consumer goods which are not produced in the country, as well as for the discharge of obligations under international conventions.

Steps shall be taken to reduce imports of equipment. Within the limits of the diminished possibilities for importing equipment in 1982 that equipment is to be imported first which is not manufactured in the country and contributes to faster completion of construction projects which will increase the production of goods and services for export, which will reduce imports and will contribute to eliminating structural disproportions in the sectors of production of food, energy and basic raw materials. A certain percentage of total funds for the importation of equipment in 1982, which is to be fixed by the self-managing communities of interest of the republics and autonomous provinces for foreign economic relations, shall be committed to the modernization and enlargement of capacity of organizations of associated labor which by installing new equipment will in 1982 increase exports or reduce imports, the latter dependent upon assumption of specific commitments.

The self-management accords concluded in self-managing communities of interest of the republics and autonomous provinces for foreign economic relations should ensure more favorable conditions for organizations of associated labor with a better export performance to import raw materials and noncapital industrial goods.

Stricter responsibility is to be exacted for enforcement of legality in foreign exchange transactions and measures are to be taken for those transactions to be conducted through the organized foreign exchange market. The republics and autonomous provinces shall bear greater responsibility for achievement of

Yugoslavia's payments and exchange balances and the payments-balance and exchange-balance positions of the republics and autonomous provinces and conditions created for normalizing the operation of the foreign exchange market. The possibilities, conditions and criteria governing the sale of foreign exchange on the foreign exchange market by the Yugoslav National Bank shall be set forth in conformity with the law.

Foreign credits shall be used in conformity with the projection of Yugoslavia's payments and exchange balances. Conditions shall be created for a more effective use of credits already granted by international financial organizations. Unused rights under the Agreement on Contracting Indebtedness Abroad From 1976 to 1980 shall be carried over to 1982. In 1982 foreign credits for equipment may be used only by organizations of associated labor and other beneficiaries which can furnish foreign exchange to pay obligations off under previous credits and credits which will be concluded in 1982.

A proposal shall be made again in 1982 for adoption of a law on contracting of indebtedness abroad by the Yugoslav National Bank to ensure liquidity in international payments.

The extent of use of short-term credits of foreign banks which may be used exclusively to overcome seasonal irregularities in the current inflow and outflow of foreign exchange shall be reduced. The Federal Executive Council shall on the recommendation of the Yugoslav National Bank set forth criteria governing the use of short-term credits by banks no later than 10 January 1982.

Steps shall be taken to encourage economy of foreign exchange, reduction of the invisible outflow of foreign exchange in all its aspects, especially for official travel and foreign travel of individuals, expenses of branch offices, etc.

In the context of the measures envisaged to improve Yugoslavia's position in international economic relations, particular attention shall be paid to faster and more comprehensive development of Yugoslavia's economic cooperation with the non-aligned countries and the developing countries, to preserving and further development of the most favorable treatment of those countries in foreign trade relations on behalf of further development of mutual cooperation of the developing countries and a larger share of those countries in Yugoslavia's foreign economic relations, in conformity with the Yugoslav Social Plan From 1981 to 1985 and the resolutions of the SFRY Assembly. The granting of aid to the nonaligned countries and developing countries shall be continued, but within that framework more favorable treatment shall be granted to the least developed among the developing countries.

The activities of organizations of associated labor, self-managing communities of interest of the republics and autonomous provinces for foreign economic relations, and economic chambers, and economic policy measures shall ensure more organized and effective efforts on the foreign market. To that end, but pursuant to the resolutions of the SFRY Assembly, the effective performance of representative offices abroad shall be reviewed and guaranteed, the justifiability of the existence of certain representative offices shall be examined and steps taken toward greater efficiency in their business operation and toward effective operation of export-import organizations within Yugoslavia.

4. Emphasis in development of production shall be on stimulating its faster growth for export and to contribute to import substitution, which has a beneficial effect on the country's balance of payments, above all the production of energy from domestic resources, the production of basic raw materials and noncapital industrial goods and the production of the principal agricultural products.

Material development and overall socioeconomic development in 1982 should be based on stronger operation of the qualitative factors in the conduct of economic activity; productive employment through higher labor productivity, increased saving, better and more efficient use of work time, optimum use of available capacities and other production factors; productive employment, higher labor productivity, increased saving, better and more efficient use of work time, rational use of available capacities and other production factors, and reliance on domestic resources, greater involvement of domestic scientific potential and its more effective linkage with production proper, improvement of the system of education and its adjustment to the needs of associated labor, more optimum and broader use of imported equipment and technology, development of long-term business relations through income sharing between producers and other participants in the process of reproduction, along with consistent enforcement of the features of the system.

Thanks to greater exports, more efficient conduct of economic activity and consistent conduct of the agreed policy it is assumed that the social product will grow about 2.5 percent in 1982, which will be influenced by a growth of industrial output of about 3.5 percent and a growth of about 4 percent in agricultural production, along with a corresponding growth of the social product of other activities, assuming a reduction of output in construction. Because of augmented foreign obligations, resources available for domestic consumption will be smaller than the social product.

The growth of production and exports should first cover obligations in the balance of payments, and policy shall be conducted accordingly with respect to distribution of the social product and income, the standard of living, reduction of the share of expenditures for government administration and social services and the social product, reduction of the volume of investments relative to 1981 and of the share of investments in the social product.

5. In the implementation of the policy governing socioeconomic development in 1982 steps shall be taken and conditions created for a growth of industrial production, which should be based on better utilization of available capacities and greater reliance on domestic resources, on the pooling and assignment of savings to faster completion and activation of capacities for increased production for export and for production of energy and the principal scarce raw materials and noncapital industrial goods, as well as on establishment and strengthening of relations in reproduction, division of labor and specialization, and the development of relations based on income sharing among interrelated and interdependent producers. A policy shall be conducted of increased energy conservation and enlargement of reserves of energy fuels. Greater joint efforts shall be made on exploration and better use of domestic energy potential and better utilization of secondary raw materials.

The Federal Executive Council shall adopt the energy budget for 1982, which shall be subject to ratification by the executive councils of the republics and autonomous provinces. Programs shall be adopted concerning exports of industrial programs by industries, groupings and currency areas, including the relevant time schedules, and proceedings shall be initiated to conclude self-management accords on joint efforts on foreign markets to purchase crude petroleum and petroleum derivatives; on the distribution of coking coal among the coking plants in 1982; on allocation of petroleum to the various refineries and on uniform supply of petroleum derivatives to the market under equal conditions; a social compact on measures to stimulate the opening up of new coal mines and modernization of existing ones, including lines producing commercial coal, new development and modernization of oil and gas fields on the basis of income sharing, above all through the pooling of labor and capital. If any of the self-management accords or social compacts should not be enacted during January 1982, appropriate enactments shall be adopted no later than the first half of February 1982. The Federal Executive Council shall also undertake in good time other measures to ensure uniform supply of petroleum derivatives and fulfillment of the energy budget for 1982.

Self-management accords on joint production among organizations of associated labor which are interdependent in the production process from raw materials to finished products shall set forth long-term programs for guaranteeing the necessary raw materials and noncapital industrial goods, export programs, and appropriate mutual income-sharing relations. The initiative shall be taken by the Yugoslav Economic Chamber and by communities of organizations of associated labor for planning and business cooperation.

Petroleum and petroleum derivatives shall be imported in 1982 within the limits of the total resources envisaged for that purpose in the country's payments and exchange balances and the payments-balance and exchange-balance positions of the republics and autonomous provinces, but in line with the country's 1982 energy budget. Steps shall be taken in organizations of associated labor and in the republics and autonomous provinces to ensure reduced consumption of heavy furnace oil. Thanks to the business policy of organizations of associated labor, efficiency measures and reorientation to other forms of transportation, and the measures of economic policy, consumption of petroleum derivatives in highway transportation will not increase over 1981. Consumption of petroleum derivatives for energy purposes shall be reduced, and the agreed energy budget shall create conditions to augment their processing in the petrochemical industry. The development and production of vehicles and machinery which have lower specific energy consumption shall be encouraged.

6. The estimate is that agricultural output will increase about 4 percent, which will make it possible to meet domestic needs more effectively, to augment exports and to reduce imports. Thanks to better organization of all entities in the agroindustrial complex, along with appropriate measures by the agencies of sociopolitical communities, more efficient use will be made of the production capacity and funds, especially arable land. Proceedings shall be instituted toward conclusion of self-management accords to create conditions for appropriate supply of fertilizers, quality seed, fuel and necessary equipment for agriculture. In accordance with the Yugoslav Social Plan From 1981 to 1985, a program of measures and actions shall be adopted in good time for the production of wheat, industrial

crops, vegetables and fodder crops, and balances shall be adopted of the principal agricultural products and foodstuffs, and these documents shall in turn be used as the basis for conclusion of self-management accords and production and delivery contracts before the production process commences. The measures of economic policy, including the rebate on fertilizers, as well as accords among interested organizations of associated labor, should create conditions for more stable prices of fertilizers and the other most important noncapital producer goods for socially organized production and production under contract, which in turn should tend to stabilize the prices of agricultural products and foodstuffs. Faster construction of irrigation systems, which will be used over considerably larger areas, is to be encouraged on behalf of stable growth of agricultural production.

The anticipated growth of the wheat harvest, especially production for the market, is about 5.6 million tons (purchases about 3 million tons), and the corn harvest is projected at about 10 million tons (purchases about 3 million tons). Growth of the production of industrial crops, especially sugar beets and oilseed, will continue and will guarantee production of about 880,000 tons of sugar and about 250,000 tons of edible oil. The production of vegetables and animal feed crops will increase. Measures will be taken to increase and improve socially organized production on the farms of private farmers. Particular encouragement shall be given to production for a known customer through credit financing and through creation of conditions for the supply of seed, fertilizer, machinery, fuel and spare parts.

The structure of production and animal husbandry should be adjusted to the opportunities for sale on the domestic and foreign markets, along with reorientation toward more optimum use of animal feed resources within the country. The projected growth of meat production is about 1.35 million tons, and the growth of milk production about 4.6 billion liters.

The social compact on implementing policy governing development of the agroindustrial complex, set forth in the Yugoslav Social Plan From 1981 to 1985, shall state in specific terms the commitments of specific entities in increasing the production of important agricultural products and shall propose solutions and measures for stimulating the development of the socialized sector and the organization of private farmers in the self-management system and formation of their associations. That same compact shall state the volume and sources of funds for development of agricultural production and for expansion of cropland in the socialized sector of agriculture and more efficient use of farmland.

The growth of agricultural production will be encouraged by the measures of fiscal, land and urban planning policy. Households which do not use land for the purpose specified shall be taxed to a considerably greater degree, and tax deductions and exemptions shall be granted as an incentive over a specific period to households which bring neglected farmland into condition and under cultivation. Measures and activities shall be undertaken so that the land of owners who do not cultivate it is used according to the purpose of that land.

On the basis of the criteria set forth in the self-management accord, exports of farm products and foodstuffs shall be stimulated, especially tobacco and tobacco

manufactures, wine, meat and meat products, and fruit and vegetables and fruit and vegetable products. The export of corn and sugar shall be encouraged in line with the physical balances.

7. Activities shall be stepped up to implement the Social Compact on Yugoslavia's Transportation Policy, the program for its implementation shall be adopted, and measures undertaken to achieve a higher level of performance in rail transportation, reorientation of freight and passenger traffic from highway to rail, maritime and river transportation and to improve safety and punctuality in transportation.

In order to ensure conditions for harmonious development of combined transport through the introduction of uniform standards, standardization of transportation and accessory equipment and uniformity of other engineering and technological conditions, a social compact shall be adopted on development of integrated transportation by the end of the first half of 1982. By the end of the first quarter an agreement among the republics and autonomous provinces shall be adopted on the conditions governing the economic activity of rail transportation and measures taken to enable it to take over a considerably larger share of the freight and passenger traffic in land transportation. Provision shall be made to assign an appropriate portion of the resources of primary note issue to the credit financing of purchases of domestic equipment (locomotives and cars) for the needs of the railroad.

8. Steps shall be taken to regularize relations on the market, to bring supply and demand into line with one another, to regulate on a long-term basis relations among interrelated participants in the process of social reproduction and to eliminate cases of disruption of the unity of the Yugoslav market. The Federal Executive Council, in collaboration with the competent agencies of the republics and provinces, shall adopt physical balances of the most important raw materials, noncapital industrial goods and consumer goods for 1982. Initiatives shall be taken toward conclusion of an agreement to furnish stable sources of financing for commodity reserves and to build storage capacity, and proceedings shall be instituted toward conclusion of a social compact among the republics and autonomous provinces on measures to supply the unified Yugoslav market consumer goods especially important to the working people and citizens.

On the basis of the balances covering the 5-year period mutually reconciled balances of the principal farm products and foodstuffs for 1983 shall be adopted no later than 1 September in the republics and autonomous provinces and by 10 September 1982 in the Federation.

9. More effective achievement of the policy of economic stabilization, an essential reduction of inflation, improvement of the country's balance of payments and a bolstering of the income-related interests of organizations of associated labor in the dynamic growth of production and export and a slowing down of the decline of the standard of living necessitate an essential slowing down of the rise of prices and the cost of living. The following are necessary to this end:

1) through the economic policy measures of sociopolitical communities and the measures of organizations of associated labor and other self-managing organizations and communities to ensure more harmonious commodity-money relations,

bringing all forms of expenditure within the limits of available funds, and to change those instruments and mechanisms of the system which are having an inflationary effect;

2) to create all conditions for consistent enforcement of the Law on the Bases of the Price System and Public Price Control. In the setting of prices and in the conduct of public price control to ensure consistent application of pricing criteria, and in particular a stronger constructive economic impact of world prices on price movements and relations on the domestic market, and in that context to make appropriate amendments and supplements to the Instruction on Application of Pricing Criteria by 31 January 1982.

Regulations shall be adopted where they do not exist in order to ensure implementation of the Law on the Bases of the Price System and Public Price Control;

3) in economic chambers, general associations and other associations of associated labor activity will be stepped up toward conclusion of self-management accords and social compacts regulating on a more lasting basis price relations in the process of reproduction and in the price field in conformity with the Law on the Bases of the Price System and Public Price Control;

4) through the agreement on conduct of price policy in 1982 which is to be concluded no later than 31 January 1982 and in programs setting limits on price movements in particular activities, in conformity with pricing criteria and the established price policy, the obligations and responsibilities of all signatories of the agreement shall be specified and the coordinated work of communities for price affairs at the level of the Federation and the republics and autonomous provinces shall be set forth. Prices of products and services may not be raised before adoption of the agreement on the conduct of price policy. From the standpoint of the functioning of the unified Yugoslav market consistent enforcement of the established policy in the price field shall be guaranteed, and the present division of powers among sociopolitical communities in the price field shall be examined once again. A policy of eliminating price disparities and of aligning relations in primary distribution and a policy of slowing down essentially the rise of prices of products and services which have risen more than the level agreed in 1981 shall be conducted in the conduct of price policy and with respect to price changes;

5) the Federal Community for Price Affairs, the communities for price affairs of the republics and the communities for price affairs of the autonomous provinces should ensure direct mutual collaboration on behalf of uniform application of pricing criteria and pricing procedure and other provisions of the Law on the Bases of the Price System and Public Price Control and accompanying regulations to implement the established price policy and public price control;

6) in order to eliminate and prevent disturbances on the market and in the movement of prices the measures of actual price control shall be applied, except on products and services whose prices are regulated by self-management accords and social compacts brought into conformity with the Law on the Bases of the Price System and Public Price Control and the established price policy and on products and services whose supply and demand relations are judged to be in line or for

which other conditions for the movement of prices of such products and services have been met within the framework of the established price policy, such judgment to be made by communities for price affairs and agencies of sociopolitical communities according to their respective powers;

7) resources to cover losses may not be furnished by raising prices outside the established price policy. Prices may not be raised to furnish funds by applying the development criterion to investment projects and to the development of infrastructural and other activities, except for certain products so designated in exceptional cases which fall within the limits of the narrowed priorities, whose development, as set forth in the Social Plan of Yugoslavia From 1981 to 1985, is to be stimulated even by the application of this criterion;

8) long-range price policy in the fuel and power industry and agriculture shall be set forth in social compacts during the first quarter of 1982.

Support prices and producer sales prices of farm products of particular interest to the entire country shall be set in conformity with the Law on the Bases of the Price System and Public Price Control before 15 September 1982 for the 1983 farming year;

9) assurance should be given through the overall activity of organizations of associated labor and other self-managing organizations and communities, through economic policy measures, through consistent conduct of established policy, through price policy, including even the measures of actual price controls, so that the current rise of retail prices during 1982 (December 1982 relative to December 1981) does not exceed 15 percent.

10. Credit-and-monetary policy in 1982 shall support achievement of the policy of economic stabilization. It shall ensure that in their volume and structure the money supply and bank lendings consistently serve the goals and tasks of the policy of economic stabilization, improvement of the balance of payments and augmentation of exports of goods and services, above all to the convertible area. The money supply should accordingly increase more slowly than the nominal growth of the social product, and the growth of bank lendings shall be brought into line with that movement of the money supply, and bank lendings shall also grow more slowly than the nominal growth of the social product. A specific agreement on the policy of the fastest development of SAP Kosovo shall also set forth the relevant measures of credit-and-monetary policy to stimulate that province's development. The amount of money necessary to finance current reproduction shall also be furnished through larger use of securities issued by organizations of associated labor and through faster circulation of money, which shall be borne in mind in the conduct of credit-and-monetary policy.

The Yugoslav National Bank shall through the measures and instruments of credit-and-monetary policy ensure dynamic adjustment of the envisaged growth of the money supply and bank lendings in accordance with the seasonal needs of the economy, in such manner that the share of business organizations of associated labor have a larger share in bank lendings and that a larger share also goes to the lendings for the priority purposes enumerated in Point 4, Paragraph 1, of this resolution. Steps shall be taken to speed up the circulation of money and to improve the share of organizations of associated labor in the money supply.

The Federal Executive Council and the Yugoslav National Bank shall monitor monetary trends and keep the SFRY Assembly informed, and it shall also take and propose measures to prevent illiquidity.

Performance of the tasks of credit and monetary policy shall be furthered by instituting proceedings toward conclusion of self-management accords among the banks: on the conduct of selective credit policy in 1982 and on assignment of the banks' credit potential to priority purposes; on interest rate policy; on furnishing funds from a portion of the banks' credit potential to meet the needs of expanding socially owned farmland and development of the agrocomplex; on furnishing funds for the credit financing of exports of equipment and ships and work on capital investment projects abroad. Should any of these accords not be concluded in good time, specifically before the end of February 1982 at the latest, the relevant enactments shall be adopted.

Primary note issue shall be used to monetize transferable short-term securities issued by business organizations of associated labor, to extend credit to banks on the basis of such securities and to achieve the selective goals of credit-and-monetary policy. Primary note issue shall be assigned to the principal selective purposes set forth in the Social Plan of Yugoslavia From 1981 to 1985 and the Order on Goals and Tasks of Joint Policy on Note Issue and Money on the Joint Bases of Credit Policy in 1982.

The measures of credit-and-monetary policy shall prevent the funds from primary note issue from being used for unjustified buildup and holding of inventories to create an artificial shortage of goods on the market to exert pressure for higher prices. Should certain products be lacking in commerce and on the market, and should they be unjustifiably held in inventories, such products shall be removed from the list of selective purposes supported by primary note issue. The banks shall terminate use of loans from their credit potential when the competent agency finds that an organization of associated labor is unjustifiably holding back inventories.

The credit policy of the banks shall encourage the bolstering of inventories of organizations of associated labor in the distribution sector on behalf of better supply of the market and to slow down the rise of prices.

Interest rate policy in 1982 shall act more vigorously toward stabilizing economic flows, toward more optimum use of money, toward achievement of the priorities set forth in the Social Plan of Yugoslavia From 1981 to 1985, and toward more successful operation of business as a whole, through the selective raising of interest rates of banks and the Yugoslav national Bank. Interest rates on export credits granted from primary note issue shall be given the most favorable treatment.

In 1982 the measures of credit-and-monetary policy shall guarantee that the use of short-term funds for long-term lendings shall not exceed 25 percent. The Yugoslav National Bank shall inform the SFRY Assembly in good time on the conduct of this policy.

No later than 15 January 1982 criteria shall be proposed to serve as the basis for replacement in 1982 of certain selective credits financed from primary note issue by monetization with selective features. Those criteria shall be established by an order of the SFRY Assembly upon the proposal of the Federal Executive Council. The SFRY Assembly shall establish those criteria before the end of February 1982.

The National Bank and the competent agencies of the sociopolitical communities shall take steps so that the banks punctually discharge obligations on the basis of foreign credits and domestic credits. Stricter responsibility shall be imposed on the bank for fulfillment of obligations, for entry into obligations without coverage, for strengthening financial discipline and for ensuring prompt discharge of obligations arising out of credits for capital investment projects and other credits. To that end no later than the end of February 1982 the banks are to examine once again and revise their lendings and obligations on the basis of capital investment projects, in particular investments in projects which do not come under the priorities set forth in the Social Plan of Yugoslavia From 1981 to 1985. A determination should be made of the obligations of banks whose illiquidity problem has resulted in a unrealistic and inappropriate assignment of credit potential and disturbances in the maturity pattern of resources and lendings, and within the period specified such banks shall adopt programs to improve their own liquidity and ensure liquidity in payments, and measures are to be taken if they do not put their operation on a sound footing.

In 1982 the Federal Executive Council shall propose the lines of activity and measures for transformation of the credit-and-monetary and banking system in such manner that associated labor takes command of flows in the financing of social reproduction.

In the conduct of credit and monetary policy foreign exchange and credit-and-monetary transactions should be aligned, and the outflow of a larger amount of the money supply than the amount envisaged in the Projection of Yugoslavia's Balance of Payments for 1982 through foreign exchange transactions, which would be the basis for increasing imports beyond the established limits, shall be prevented.

11. Public efforts and economic policy measures should guarantee in the realization and distribution of income that the growth of income be based to the greatest possible degree on the growth of production and the rise of labor productivity, a greater economy of labor and capital, fuller use of market criteria, greater use of internal potential and other qualitative factors in the conduct of economic activity. To that end there should be guarantees that the workers decide on all production costs and all obligations charged to income and on the basis of joint criteria establish that portion of income realized under especially favorable conditions and assign it to expansion of the material basis of associated labor. Conditions for realization of income in organizations which are intensive exporters and are producing under difficult operating conditions should be improved through establishment of income-sharing arrangements among organizations of associated labor and through the measures of economic policy.

The distribution of the social product and of income should ensure the economy an increased share in the social product and income should ensure the economy an increased share in the social product and income and a strengthening of the material basis of associated labor. Reduction of operating costs and appropriations from income for general public purposes and social services should guarantee a larger share of net income in income.

Social compacts in the republics and autonomous provinces shall establish selective growth of expenditures for per diems for official travel and compensation for traveling expenses during official travel; funds to pay compensation for use of privately owned automobiles for official travel, expenditures for entertainment, expenditures for advertising and public relations, expenditures on the basis of contracts on performance of occasional or temporary work, and expenditures to remunerate individuals for services performed shall be restricted so that in their sum total these expenditures do not exceed the limits set forth in federal law. Federal law shall be applied until the social compacts are adopted.

In the republics and autonomous provinces provision should be made so that the workers in organizations of associated labor operating at a loss, together with workers with whom they have income-sharing arrangements and linkage in the process of reproduction, and assuming greater responsibility on the part of professional management in the organizations of associated labor and in banks and executive agencies and organizations in sociopolitical communities, shall examine the causes which tend to create losses and propose selective measures and programs for the financial rescue of those organizations, taking as their points of departure the relevant features of the system and the agreed development policy covering the period from 1981 to 1985.

The policy governing distribution of net income should ensure that funds for personal incomes and social service expenditure increase no faster than the growth of net income and that funds for expansion of the material basis of associated labor increase faster than funds for personal incomes and social service expenditure and that in the distribution of net income the real personal incomes of workers increase in line with the rise of labor productivity.

In manufacturing organizations of associated labor there should be guarantees that funds for personal incomes depend above all on the trend of labor productivity, on operating costs and on the utilization of the means of production. Self-management accords and social compacts within industries and groupings and sociopolitical communities should ensure that personal incomes increase more slowly in organizations of associated labor in which there exist disproportionately large differences in level of personal incomes as compared to the same or similar jobs and tasks in other organizations of associated labor and if they rise considerably higher than the average personal income of the economy in the republic or autonomous province.

Funds for personal incomes in organizations of associated labor in the public services and in work communities must depend on the jobs and tasks performed in the work program, on the quality of work done, on costs, and on deadlines met in performance of jobs and tasks. Consideration should be given here to the necessary staff size and to the necessary alignment of the valuation of their tasks

and jobs with identical jobs in physical production. Funds for personal incomes and social service expenditure in work communities outside physical production should increase more slowly than the growth of funds for personal incomes and social service expenditure in physical production. In conformity with the bases set forth, differentiated growth of funds for personal incomes should be ensured in particular work communities and the public services as a function of the level of personal incomes that has been attained.

A public drive to add further to the system of distribution in organizations of associated labor should ensure that every worker be assigned a personal income according to his contribution in creation of income and that greater incentives be given to the work and results of work of production workers, workers who work under more difficult working conditions, organizers of work, and creative work.

12. Total resources to meet the needs of government and social services in the republics, autonomous provinces and opstinas, aside from the contributions to the federal budget, funds to repair the damage of natural disasters out of solidarity, funds to stimulate exports which are furnished on the basis of jointly agreed criteria of the republics and autonomous provinces, funds for compensation of the prices of foodstuffs which have been set so as to protect the standard of living, funds for benefits of veterans, military disabled and the families of war casualties and deceased war veterans paid under republic or provincial legislation, funds for adjustment of old-age and disability payments, compensation to unemployed persons and compensation on the basis of health care and social welfare and social concern for children may not increase more than 18 percent over the funds allowed to be used for those purposes under the provisions of the Resolution for 1981 and other regulations. Within the limits of that rate funds to meet general government purposes may not be greater than 17 percent over that same base. Funds for purposes on which a joint limiting rate has not been set in advance, except those which have the character of personal income, and also contributions to the federal budget and funds to stimulate export, may increase no more than the planned growth rate of the nominal social product.

Agreements in the republics and autonomous provinces shall set forth the growth of funds for individual recipients of appropriations for social services and general government purposes as a function of the specific nature of the various forms of that expenditure. Appropriate measures and activities shall be undertaken in the republics and autonomous provinces toward consistent enforcement of the Law on Prohibition of Use of Revenue Surpluses of Sociopolitical Communities and Self-Managing Communities of Interest in 1982.

All sociopolitical communities and other users of public funds shall again review their programs and expenditures and the scope of the established rights of beneficiaries and bring them within the envisaged limits. It is from this standpoint that sociopolitical communities should examine the purposefulness of the existence of various institutions within the country and abroad and examine once again the practice of organizing self-managing communities of interest in the social services and in physical production. Federal, republic and provincial, and other bodies shall again review legislation and practice contributing to rising costs of administrative, financial, bookkeeping, commercial and other tasks in the economy, the social services and sociopolitical communities with a view to their reduction.

The rates of the turnover tax may not be increased in 1982, but rather those rates should as a rule be reduced in accordance with the policy concerning the growth of government and social service expenditure and in cases when prices are raised.

On behalf of the most uniform distribution of the burden of stabilization on all the working people and citizens, the measures of fiscal policy should be drafted so as to ensure progressive taxation of the income and revenues of individuals, taxation of income earned through self-employment, income from property and income realized outside of regular employment.

A quarterly examination shall be made of the conformity of funds set aside for general government purposes and social services to the policy set forth. If the funds realized in the previous quarter exceed the planned limits, an appropriate reduction shall be made in the obligations of the economy and individuals for the next quarter, so that the total growth of that expenditure does not exceed the growth envisaged by this resolution.

Republics and autonomous provinces in which there has been a larger growth of funds for government and social service expenditure shall prescribe measures to bring that expenditure within the envisaged limits and to reduce the obligations of organizations of associated labor and individuals. Legislation shall be enacted by the end of March 1982 to ensure that entities receiving revenues for government and social service expenditure halt such collection when those revenues have reached the level established for this year on a prorated basis.

The growth of average pensions and compensation paid from old-age and disability insurance shall be brought into line with the growth of average nominal personal incomes of workers employed within the respective republic or autonomous province.

13. The budgetary expenditures of the Federation are to increase more slowly than the rate of the planned nominal growth of the social product.

Legislation which has established the rights of the particular users of the funds of the federal budget shall be reviewed once again and those rights shall be brought into conformity with the policy established by the Social Plan of Yugoslavia From 1981 to 1985, so that the total volume of budgetary expenditure in the Federation increases more slowly than the social product.

14. The conduct of investment policy in 1982 should ensure a 6-percent reduction of the total real volume of investments in fixed capital and a further reduction of the share of investments in Yugoslavia's social product by bringing investments into line with resources realistically available, assignment of available resources to the earliest completion of projects and commencement of construction of new facilities needed within the framework of the narrow program for construction in the production of goods and the rendering of services in order to augment export capabilities and for optimum import substitution, in the production of energy, scarce basic raw materials and noncapital industrial goods, the basic agricultural products and selective construction of main transportation routes and the development of integrated transport.

The competent bodies in the republics and autonomous provinces shall furnish the initiative and ensure that by the end of March 1982 investors and banks, on the basis of a review of the value of capital investment projects under construction and the self-management accords concluded by the banks on assignment of the available credit potential of the banks in 1982 to purposes and projects whose more rapid development has been agreed on, establish sources of resources to finance projects in conformity with commitments assumed in the framework of the narrow program of construction in activities whose more rapid development has been agreed on.

Organizations of associated labor and other self-managing organizations and communities and the republics and autonomous provinces should establish and specifically assume concrete obligations to build new capacities and to equip existing ones for augmentation of exports and for import substitution, to build facilities for production of electric power, coal, petroleum and gas, uranium and scarce raw materials and basic agricultural products. To that end the Federation, the republics and the autonomous provinces, within the limits of their respective jurisdictions, shall undertake measures and activities to encourage assignment of funds to finance construction of facilities specifically covered by the narrow program of priorities. A policy shall be established of granting certain tax incentives in the form of exemptions or deductions of tax on the income of investors and other users of social assets who invest funds in those purposes and in the form of a reduced tax burden on investors for a specified period of trial operation; measures shall be set forth to require the pooling of labor and capital in the socialist republics and socialist autonomous provinces for purposes which are a necessary condition for the normal process of reproduction if previous conduct of proceedings for conclusion of self-management accords on the pooling of labor and capital has not been able to furnish the necessary funds; and criteria governing assignment of the available funds, more favorable credit terms and other measures shall be established. Broader inclusion in the international division of labor necessitates better use of internal potential, which should be activated by eliminating bottlenecks, through cheaper and more rapid construction of projects, through adoption of operation on more than one shift, through greater use of domestic raw materials and noncapital industrial goods, and by vertical linkage of organizations of associated labor in the process of reproduction.

The republics and autonomous provinces shall take steps to tighten conditions for commencement of construction of facilities which are based on imported raw materials and noncapital industrial goods unless those investment projects will achieve larger results in exporting and import substitution than the value of the imports for that production.

The republics and autonomous provinces and the Federation should take steps to ensure optimum importation of technology and application of the agreed criteria to the transfer of technology from the industrially advanced countries. R&D programs shall be adopted in conformity with the agreed lines of development. Criteria for the selective importation of equipment and technology shall be set forth in the Economic Chamber of Yugoslavia and self-managing communities of interest of the republics and autonomous provinces for foreign economic relations, priority to be given to imports to complete projects already begun and to build new projects whose more rapid development has been agreed on.

By the end of March 1982 an agreement among the republics and autonomous provinces shall set forth the mechanism for social verification of investment decisions from the standpoint of an assessment that includes the socioeconomic justifiability of investment projects.

Inclusion in the international division of labor and solving the problems of the balance of payments should be among the basic criteria for selection of priorities and for adoption of investment decisions. Amendments and supplements to the Law on Special Terms and Conditions for the Extension of Credit for Capital Investment Projects shall expand the list of purposes for which credits may not be granted and shall increase the level of the investor's own share in the estimated cost of investment projects which do not come under the agreed narrowed priorities. Conditions shall be tightened for extension of credit for capital investment projects which do not come under the narrowed development priorities.

The basis for compensation of the guaranty potential of the banks for issuing guaranties for investments in capital investment projects shall be narrowed still further.

A self-management accord of the banks on the assignment of available resources and on terms and conditions for the credit financing of projects that come within the agreed narrowed priorities shall be concluded within the association of Yugoslav banks in conformity with the agreed criteria.

A law shall be submitted on temporary prohibition of the disposition of the portion of social assets to finance construction of new thermal electric power plants, heating plants and industrial power plants using heavy furnace oil from 1981 to 1985.

The volume of investment of social assets in housing construction shall be brought within realistic possibilities of building up funds for those purposes. Under the altered conditions for financing housing construction measures should be drafted in the republics and autonomous provinces to encourage housing construction both in the public sector and private sector and thereby encourage a larger share of the personal funds of individuals for housing construction and the building up of resources from the existing housing stock.

Measures of the republics, autonomous provinces, self-managing communities of interest, housing cooperatives and the banks should ensure more effective use of the available resources for housing construction and prevent use of these funds for other than the specified purpose.

Measures of the republics, autonomous provinces and opstinas shall ensure that project planning organizations, the construction industry, the manufacturing of materials and equipment and organizations for preparing and clearing building sites are active participants in the process of housing unit production.

In order to reduce the burden of optional contributions on the personal income of individuals and to diminish the opportunity for investments to build various projects in the noneconomic sector, optional contributions in 1982 shall be reduced solely to construction of the most necessary projects of interest to the

standard of living of the working people and citizens. A study shall be made of past experience and of legislation on the local optional contribution.

Amendments and supplements to legislation of the republics and autonomous provinces on construction of capital investment projects should establish the principle that investment decisions cannot be made or construction of capital investment projects begun unless real sources of funds have been provided for on the basis of documents, including the foreign exchange, to cover the entire course of construction and unless stable sources of energy, raw materials and noncapital industrial goods have been provided for in advance, unless the market has been researched, and unless the obligation has been met of establishing the real value of investment projects under construction and the amount of the cost overrun on investment projects and the prescribed procedure to cover them from authentic sources strictly carried out.

A reassessment shall be made of the instruments governing the furnishing of resources for investment projects, above all those which pertain to future revenues, and also of payments instruments, and stricter penalties shall be imposed for delinquent settlement of obligations of investors and banks toward building contractors and equipment suppliers.

No later than the end of January 1982 a social compact shall be concluded in the Yugoslav Economic Chamber on the keeping of records on the intended investments.

For purposes of monitoring implementation of investment policy in 1982 the relevant public information services (Social Accounting Service and bureaus of statistics) shall semiannually provide more complete data and information on investment projects under construction and especially on the achievement of investment policy in completion and construction of new projects in activities whose faster development has been agreed on and concerning which specific commitments have been assumed, in accordance with the orientation adopted in the Social Plan of Yugoslavia From 1981 to 1985, but within the limits of the narrowed program of investment projects in those activities.

The Social Accounting Service shall provide monitoring of consistent application of laws and other general acts in the field of investment.

15. Achievement of the policy of productive employment in the context of diminished opportunities for new employment in 1982 shall be ensured in conformity with the established priorities in development through better utilization of existing capacity, through a strengthening of the economy's ability to form capital and to reinvest, through the greater mobility of workers and capital on behalf of their optimum use, through reduction of supplemental labor to socially acceptable limits, through more successful prevention of unlicensed labor, through restriction of the hiring of pensioners and workers who have qualified for a pension, through more essential reduction of work for fees and overtime work, through introduction of more than one shift when the proper conditions exist, through more rapid development of small business and agriculture on the basis of association and linkage between the private and public sectors and through adjustment of the educational system to the economy's needs.

Republic, autonomous provinces and opstinas should adopt programs as soon as possible on the growth of employment, in which they shall set forth the criteria, pace, specific responsibility and the entities responsible for conducting this policy of higher employment.

Stricter responsibility will be required of organizations of associated labor and other self-managing organizations and communities in connection with the obligation to hire trainees, and a program shall be drawn up for reducing the number of persons employed in administrative and similar jobs. Self-managing organizations and communities outside production and bodies of sociopolitical communities shall draft programs to guarantee an essential slowing down of the growth of employment in those activities and a certain reduction of the number of employees in the coming period.

Certain pieces of legislation in the field of employment relations and the general acts of organizations of associated labor, self-managing organizations and communities and the bodies of sociopolitical communities shall be reexamined and, if necessary, amended and supplemented in order to strengthen work discipline, to reduce absenteeism and to promote more effective use of work time.

16. In the context of socioeconomic development in 1982, society's overall efforts and the measures of economic and social welfare policy should ensure a slower decline of the standard of living of the working people and citizens, above all in households with the lowest income per member, along with a simultaneous campaign against leveling and in favor of incentives to encourage a growth of production. To that end implementation of the policy of an essential slowing down of the rise of prices, the rise in the productivity of labor, better utilization of capacity and better use of work time are the most significant factors for preserving the standard of living of the working people and citizens.

Public efforts need to work out more concretely a policy for protecting the standard of living of citizens with low earnings per member of the household, in line with material capabilities and specific features in the republics and autonomous provinces.

17. The taking of the steps envisaged by the Social Plan of Yugoslavia From 1981 to 1985 and fuller and more optimum use and activation of productive, human, natural and other potential and development factors shall make it possible for every economically underdeveloped republic and especially SAP Kosovo, as a markedly economically underdeveloped province, to achieve faster growth of the social product than the national average and more effective employment of the able-bodied population.

The bodies of the Federation, the republics and autonomous provinces, within the limits of their respective rights and responsibilities, shall adopt the measures envisaged by the agreement in order to stimulate the pooling of the portion of the resources of the Federal Fund for Credit Financing the Faster Development of the Economically Underdeveloped Republics and Autonomous Provinces no later than the end of February 1982. By that same date the measures envisaged by this agreement shall be adopted, within the limits of their rights, responsibilities and jurisdiction, by the bodies of opstinas in the economically underdeveloped

republics and SAP Kosovo in which labor and capital will be pooled in joint development programs.

The efforts of organizations of associated labor and economic policy measures shall ensure that the agreed amount of at least 50 percent of the permanent resources of the fund shall be realized entirely through the pooling of labor and capital among organizations of associated labor from throughout the country in joint development programs of the economically underdeveloped republics and SAP Kosovo on the basis of income sharing and common interests.

All the agreed stimulative measures at the federal level and those which have been assumed by agreement by the republics and autonomous provinces and the Economic Chamber of Yugoslavia to carry out the policy of the most rapid development of SAP Kosovo will be realized in accordance with the pace established in order to carry out the Political Platform for the Campaign of the League of Communists of Yugoslavia in development of socialist self-management, brotherhood and unity and the sense of community in Kosovo. All regulations which ensure implementation of the provisions of the Agreement on Special Measures To Fulfill the Policy of the Most Rapid Development of SAP Kosovo From 1981 to 1985 shall be drafted and adopted by the end of February 1982.

The agreement among the republics and autonomous provinces dating from 1980 on assumption of obligations for construction of at least one economic project in SAP Kosovo shall be implemented.

The growth of the supplemental funds from the federal budget to finance the social and other services in the economically underdeveloped republics and SAP Kosovo in 1982 shall be brought into conformity with the agreed policy but the growth of the federal budget shall remain within the limits of the growth of the social product.

Intensive work shall be done to prepare the elements for establishing objectified criteria and indicators for determination of the level of economic development of the republics and autonomous provinces. The Federal Executive Council shall submit a draft of an order on those criteria and indicators to the SFRY Assembly before the end of 1982.

18. In view of the military and political situation in the world and the security situation in the country, the strengthening and development of nationwide defense and social self-protection shall be speeded up, specifically as follows: through creation of the material and other conditions for fulfillment of programs and performance of tasks set forth in medium-term plans for development of the Yugoslav People's Army and territorial defense; through more rapid and effective mastering of the production of noncapital industrial goods and raw materials within the country, along with priority supply to the armament and military equipment industry, provision for importation of the necessary equipment, raw materials and noncapital industrial goods for the production of armament and military equipment, and a higher share of domestic industry in equipping the armed forces of the SFRY; by achieving conditions for successful training of the armed forces of the SFRY, young people, women and the remaining population, and by taking steps to ensure enrollment of personnel in military schools in proportion to

the composition of the population; by establishing a more appropriate method of funding, credit financing and furnishing foreign exchange to meet the needs of the Yugoslav People's Army, territorial defense and manufacturers of armament and military equipment; by pricing policy in the manufacturing of armament and military equipment; by the establishment of incentives to promote military-economic cooperation with the nonaligned countries; by increasing the effectiveness of planning the development of territorial defense within self-managing organizations and communities; by a further bolstering of the system of protection and rescue, priority being given to shelters for multipurpose use, through the measures of fire protection, radiological, biological and chemical protection, and the bolstering of civil defense as a function of social self-protection; through the further bolstering and mutual linkage of information and alerting centers; through faster implementation of the social compact on mandatory linkage of owners of communication systems to form a unified communication system of the SFRY; through further bolstering of communications network for the administration of sociopolitical communities, and the cryptographic service in particular; through intensified preparation of economic and public efforts toward successful functioning in exceptional situations and in wartime; through adoption of programs for development of the hilly and mountain areas; through a strengthening and functional bolstering of social self-protection in local communities, organizations of associated labor and sociopolitical communities. Measures and efforts shall be undertaken to improve the staffing and material position of law enforcement agencies and to bring their operation up to date.

19. On behalf of furnishing the necessary statistical data and other information to all entities in the process of planning and implementing the policy of socio-economic development, the relevant services in the public information system shall provide the necessary data and information in 1982 for effective monitoring of achievement of the tasks set forth in planning documents, and they shall draft a program along those lines by the end of January 1982. Pursuant to the Law on the Bases of the Public Information System and on the Federal Information System, the content, methods and other elements of the information system shall be adjusted to the new needs that have arisen with respect to the system for collecting, processing, analyzing and furnishing the necessary data and information.

In 1982 the bodies of sociopolitical communities and self-managing communities of interest shall encourage recordkeeping and statistical services to ensure implementation of the program for modernization and technical bolstering of the statistical service. Appropriate measures shall be adopted to that end, agreements and accords shall be concluded to provide the technical facilities of the statistical system through the linking up of equipment, technology and the organization of work and of specialized and development tasks of common and general interest within the framework of the public information system as a whole.

The Federation, the republics and the autonomous provinces shall undertake measures and discharge obligations assumed in the agreement to stimulate the development of the public news media providing political information.

20. In conformity with Point 44 of Part III of the Social Plan of Yugoslavia From 1981 to 1985 and proceeding from realistic material capabilities, a separate agreement shall be adopted in the first half of 1982 on the bases of the Social

Plan of Yugoslavia From 1981 to 1985 which will state concretely the commitments, selection and narrowing of priorities within the established lines of development.

In accordance with the specific agreement referred to in Paragraph 1 of this point, and on the basis of self-management accords of organizations of associated labor concerning the bases of plans and on the basis of those plans themselves, the republics and autonomous provinces shall accordingly state in specific terms their own obligations in agreements on the bases of their own plans and in those plans themselves.

21. In view of the pronounced problems and causes which for a long time now have been giving rise to instability in the flows of social reproduction and adverse development of foreign economic relations, in 1982 a long-term program of economic stabilization shall be adopted, including basic guidelines for adoption of economic policy to be used as the basis for evaluating the need to amend and supplement the Social Plan of Yugoslavia From 1981 to 1985.

22. The specific tasks referred to in Part III of the Social Plan of Yugoslavia From 1981 to 1985 which were not performed by the end of 1981 shall be performed no later than the first quarter of 1982.

23. Performance of the tasks set forth in this resolution shall be constantly monitored and analyzed, and appropriate steps shall be taken so that all participants in the process of planning and implementing the Social Plan of Yugoslavia From 1981 to 1985 discharge their tasks and obligations within their jurisdiction in good time, in conformity with the annual and medium-term development policy. In accordance with the Law on the Bases of the System of Social Planning and on the Social Plan of Yugoslavia, the Federal Executive Council shall regularly inform the SFRY Assembly and other bodies on fulfillment of the Social Plan of Yugoslavia From 1981 to 1985 and the socioeconomic policy set forth in this resolution.

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BANKER COLANOVIC INTERVIEWED ON INDEBTEDNESS, LIQUIDITY

Belgrade DUGA in Serbo-Croatian No 204, 19 Dec 81 pp 16-17

[Interview with Dr Branko Colanovic, chairman of the Professional Management Board of Jugobanka, by Misko Kalezic: "The Size of Our Debt"]

[Text] We are sitting in the office of Dr Branko Colanovic in July the 7th Street. The subject of our interview, until recently the governor of the Yugoslav National Bank, now the head of Jugobanka, one of our largest banks, told us at the outset that he did not want to talk about the large political topics, though he admits that politics and economics are "colliding," are interwoven, and that neither can be taken without the other. Nevertheless, Colanovic remains consistent: "I want to speak only about the economy! Not about that other then, only about the economy!"

[Question] What actually is stabilization? It is obvious that this term is not yet understood by many. In this connection is our credit-and-monetary policy aimed at carrying out the policy of stabilization?

[Answer] I agree that many still do not have a clear idea of what stabilization is. Perhaps stabilization is most used today to mean a cooling off of prices, a cooling off of inflation. It is, of course, very important to slow down prices, but stabilization is above all a state in which all participants in economic life pay particular concern to achieving the most favorable possible relationship between the funds invested, which represent labor, and the results which are derived.

We have an unstable situation in the economy today because the relationship is unfavorable between the capital and labor invested on the one hand and the results of production, of economic activity and of business operation. This coefficient of "input" and "output" is not good. This is also evident from labor productivity, the efficiency of investments and the utilization of capacity. It is here we need to wage the fight....

[Question] One gets the impression that economy and saving are the first things the term stabilization calls up. Is that a mistake?

[Answer] That is a small mistake if it is a mistake at all. Saving and economizing on assets, money, and materials, energy conservation, represent a postulate

that always applies. But it is not just a question of economy, but of productivity as well.

Our Sins

[Question] The present economic difficulties in Yugoslavia are mostly explained in terms of adverse trends in the world economy, credit and monetary policy, and the energy crisis and the like are also brought in.

[Answer] There is truth in that, since Yugoslavia truly is an open country with respect to the movements of commodities, foreign trade, tourism, financial flows, the movement of manpower, and so on. The stagnant international economic situation, with a recession in certain of the most important countries, certainly constitutes a large handicap for our industry. Many of our capacities are too large for the domestic market. They must, then, export, and that is increasingly difficult under these conditions. The energy crisis has dealt a serious blow to our economy. But our own sins are also involved here. We did not take a serious enough approach to the phenomenon of the international economic crisis. We were superficial in our conception of it in 1973, as indeed were certain other countries, and so we undertook an ambitious 5-year plan and its fulfillment regardless of what was happening to the planned growth of the social product and the pattern of investment. However, the second energy crisis in 1979 should not have found us so unprepared. We were left without a global and thoroughly thought-out program of energy conservation, without a program for altering energy consumption and the pattern of that consumption, and so the epilogue was to be expected. As a matter of fact, not only had we not drawn up a global conservation program, but we had also gone on to put the current 5-year plan, running from 1976 to 1980, on an ambitious level, including major investment projects, with a structure that once again anticipated strong reliance on imported energy.

Goods Which Are Lacking

[Question] Recently there has been a great deal of talk about our foreign indebtedness, which has become a limiting factor on our further development. The way out of the economic difficulties is seen in large exports above all. Does this mean that we should suppress domestic demand? And how will that orientation affect our standard of living?

[Answer] This certainly must signify a suppression of domestic demand! It is not possible to work out the balance of payments, that is, to diminish the payments deficit essentially without making stocks of commodities available for export. The stocks of commodities which might be oriented toward export are today being absorbed in domestic demand. Take, for example, housing construction. Yugoslavia is probably the first country in Europe with respect to the relative scale of housing construction, with respect to the share of the total social product which is earmarked for housing construction. Even with respect to the number of housing units built annually, if that number is stated in terms of the unit of the social product, we are in the first place in Europe. That is also an overly ambitious plan.

What might surprise the outside observer is the fact that we have many imported ingredients in housing construction (some estimates run to 30 or even 40 per cent); housing construction that conforms to this conception is absorbing those stocks of commodities which might be used in part for export. In the world today, for example, there is a great deal of demand for asphalt, glass, building plates, prefabricated products, millwork.... But we are not importing them at all! We simply do not have those goods! We do not even have them in our stores, though production has been growing! Here we see, then, the direct connection between domestic demand and domestic consumption and the possibility of making stocks of commodities available for export. This cooling off of demand, however, will not be achieved by a restrictive credit-and-monetary policy, since it, conceived in a monetaristic sense, as it is conceived today in Great Britain or in America, for example, brings about abrupt conflicts with the institutional rights of the workingman, the collective and communes. Instead of a well-thought-out alteration of the structure which could help to straighten out the balance of payments, we may have only social, political and psychological conflicts.

What Is a Realistic Rate of Exchange?

[Question] Does the value of our currency encourage that larger scale of exporting, and what is the realistic rate of exchange of the dinar?

[Answer] From the standpoint of stimulating exports, which is what we need, the value of our currency is relatively dysfunctional. The "rate" of inflation's development in our country is much higher than in the countries with which we trade. First of all, with the European Economic Community, that is, with that part of the convertible area which is most important to us, with the United States of America and other countries. I do not speak about the East European countries, where price regulation is altogether different. It is therefore no wonder that many business executives point out that export means an appreciable loss of income for them and that the main incentive for exporting is the possibility of obtaining the foreign exchange for imports. That is not a good situation! It is not a good situation when there is no economic motivation or incentive to export based on income!

The realistic rate of exchange of the dinar is not, of course, any sort of objective parameter or criterion. If it affords the exporter an incentive based on income, then it is realistic, and if it does not, then the rate is too low. If it affords exporters large excess income, then, of course, it is unrealistically high.

[Question] How do you evaluate the present moment from that standpoint?

[Answer] The present moment is a very delicate one for two reasons. First, there obviously is no motivation to export based on income, which means that the rate of exchange, in spite of the addition of all the incentives which have been adopted, is lagging behind the role which it ought to have in this respect. Second, we have unfortunately spoiled the position of the single rate of exchange of the dinar which we had built up a few years ago.

That rate of exchange has dissolved, has broken down into many different rates of exchange which are operating in the free trading of foreign currencies, in the so-called pooling of foreign exchange, in "pegging," in which the percentage added to the rate of exchange ranges from a few to a few dozen points! We can even say that going from one republic or province to another we are already encountering different average levels of rates of exchange! That is not good, and it is creating an enormous space for a siphoning of income from one sector to another, from one region to another, and even between the economy and the public, which is an extremely important holder of foreign exchange and participant in the inflow of foreign exchange.

Banking "Defects"

[Question] Are our commercial banks, which would include Jugobanka, which you head, capable of resolving the country's external liquidity and of contributing in large measure to an aggressive export policy which is presumably necessary and indispensable in our future development?

[Answer] If I were to answer your question in the affirmative, the banks would be expected to give priority to export credits, and export credits would have to be cheaper. To go further: they would have to give priority to financing exports of capital goods, equipment, ships, construction work on capital investment projects abroad, and to look upon that function of theirs somehow as in their business interest. Which means that this cannot be the "patriotic duty" of the banks, but their business interest, a result which brings income for the organizations which are the members of the bank, which manage the bank. Here again we have problems with a restrictive credit-and-monetary policy. The present liquidity of Yugoslav banking is below any permissible criterion! Below any minimum! At the present moment of illiquidity of Yugoslav banking it is very difficult to conduct a policy that would grant priority to exports of equipment, ships and construction work abroad. Yet this is precisely our great opportunity to increase exports and to make an evident improvement in the balance of payments!

It is also difficult for Yugoslav banks to be able to extend credits in foreign currencies to foreign enterprises to purchase goods from our exporters! Credits, that is, not to the Yugoslav seller of the goods, but to the foreign purchaser of the goods. That credit must be in terms of foreign exchange. Here again, unfortunately, the foreign exchange potential of the Yugoslav banks is very modest! During this year we in Jugobanka have extended more than \$30 million of credit to foreign firms to purchase Yugoslav goods! Those possibilities are still modest, and I hope that by improving the country's foreign exchange liquidity we will have more room in this regard.

[Question] Can the commercial banks provide the necessary financial funds, credits, for investment projects in this medium-term planning period, or will they insist on a narrowing of the investment front? After all, the large investment projects are stimulating one of the principal sources of instability--inflation.

[Answer] We have had three problems in this area. First of all, the total volume of investments has been too large, and a huge portion of the social product has gone for those investment projects. Here again we have been "recordholders"

on an international scale with the famous 40 percent of the social product which has been spent on investment projects! The pattern of investment has been a larger problem. Where did the investments go, in what sectors, do they signify the fastest growth of the social product? It is well known that the efficiency of our investments has been rapidly declining. And our third problem: How are the funds for investments to be concentrated on a self-managing basis at those real points which are in accord with social compacts and plans?

[Question] Have those issues been resolved?

[Answer] Only partially! The first problem, reducing the volume of investment, has been begun, and I think we are on the right road here. However, the pattern of investment is not good! It does not correspond to any social plan or social compact which has been worked out precisely and aimed at a rapid change of the pattern. We still have countless investment projects which are locally motivated, which result in underutilization of capacity, a lack of cooperation, disintegration, and so on. In addition, you can count on the fingers of your hand the investment projects and designs which are being carried out through a pooling of capital on the basis of self-management, and there have also been difficulties with the credit financing of major investment projects. We have been very generous in providing funds for small-scale investments, local construction, small projects, and so on. If it is a question of a hotel, a department store...the money will always be found. But when it is a question of major investment projects such as coal mines, steel mills, highways...then we have "thrown up our hands"!

Also, the condition of the Yugoslav transportation system is very bad! In our economic policy we do not refer enough to the exceptional importance of this factor. After all, because of the condition of our transportation system the burden on the cost of production of Yugoslav goods (which is extremely important in the case of exports) is two- or threefold greater than is the case in other countries! This is one reason for uncompetitiveness!

Are We Living on Credit?

[Question] It is widely thought that we are living more on credit than on work. Some people even go so far as to say that we are living at the expense of future generations. Do you share that opinion?

[Answer] In past years we have made an exceptionally large use of foreign funds because of large payments deficits. The only way we could have covered them was to increase our foreign indebtedness. It is certain that foreign financial circles see the Yugoslav debt as very large and that this is having a direct impact on our economic relations with foreign countries. That is why it is altogether understandable that economic policy for 1982 anticipates a very small current payments deficit of about \$500 million. We cannot cover that deficit with "fresh" foreign credits, nor should we be looking in that direction!

If we succeed in that, it will be a great relief to all of us.

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